Borden Annual Report -- 1980
America's Corporate Foundation; 1980; ProQuest Historical Annual Reports
pg. 0_1

BORDEN

Financial Highlights

(In thousands except per share and percentage amounts)

	December 31 1980	1979	Percent Change
Operating Results (for the year)			
Net sales	$4,595,795	$4,312,533	+ 6.6
Income taxes	95,300	85,900	+ 10.9
Net income	147,863	134,015	+ 10.3
Net income per common share and equivalent:			
Primary	4.79	4.31	+ 11.1
Fully diluted	4.58	4.12	+ 11.2
Dividends:			
Common share	1.88	1.79½	+ 4.7
Preferred series B share	1.32	1.32	
Total dividends	57,976	55,437	+ 4.6
Capital expenditures	196,951	177,723	+ 10.8
Financial position (at year-end)			
Working capital	$ 581,515	$ 577,992	+ 0.6
Current ratio	1.8:1	2.0:1	
Shareholders' equity	1,234,935	1,185,075	+ 4.2
Equity per common share	41.57	37.98	+ 9.5
Common shares outstanding	29,681	31,160	− 4.7
Return on average shareholders' equity	12.2%	11.9%	+ 2.5

In a departure from past Annual Reports, financial data with respect to divisional operations are now carried only in the Management's Discussion and Analysis of Financial Condition and Results of Operations, which begins on Page 25. The divisional reports beginning on Page 4 supplement the Discussion and Analysis, describing activities that characterize the basic nature of each Division's business and affect its future performance.

• For the Consumer Products Division and the food operations of the International Division, which are consumer oriented and marketing intensive, the reports emphasize new-product development, market expansion, advertising and promotion.

• For the Chemical Division and the chemical operations of the International Division, which are production oriented and capital intensive, the reports emphasize capital programs completed or begun during the year.

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A worldwide Chemical and Consumer Products Company

BORDEN

Message to Shareholders and Employees

With his invention of condensed milk, Gail Borden, the Company's founder, changed forever the face of the food industry. To most people, invention is seen as the ultimate in change; the sharpest break possible with the past. Yet, as the Old Testament reminds us, "there is no new thing under the sun." Even the most radical change has its roots in what has gone before. Thirteen men before Gail Borden, for example, received patents on condensed milk. His was the first practical method, and so it was accepted.

Change is welcomed and understood when it is useful, necessary, and undertaken for good purpose. The restructuring of Borden, announced to you in July, is such an undertaking. It is not an admission that past policies and actions were wrong; only that some had outlived the times for which they were intended and are inadequate or unsuitable for the future.

The restructuring is not a "quick fix," something to solve a sudden and temporary problem. It is a strategic plan, predicated on the worldwide economic, political, social and technological conditions under which Borden can expect to operate over the next decade. We can't know precisely what those conditions will be, but we can be certain they will be different from those we encountered in the past:-

• Economic: A high rate of underlying inflation. Tight money. High interest rates. Rising costs and shortages of energy. Increased foreign competition.

• Political: Deregulation of transportation and of oil and gas prices, accompanied by uncertainty as to the degree and areas of government involvement in business affairs. Increased fluctuation in international currencies. Protectionism. Political instability and nationalism abroad.

• Social: More working wives. More single households. Smaller families.

• Technological: Improved processes. Improved materials. Increased utilization of by-products.

Borden, structured as it was to meet the challenges of the '70s, had to be transformed into a lean, flexible, aggressive company ready to take on these unprecedented forces and conditions of the '80s. We are shaping our future now.

The following pages of the Report describe the changes we have made. Essentially, they involve a major redeployment of our assets: the disposition of several lines of business, primarily low-return and commodity-oriented, and the reinvestment of cash generated by the dispositions into the most promising areas of our business -- intermediate and specialty chemicals and consumer products. These steps had been indicated in our Message in the 1979 Annual Report.

Most of the planned disposals have already been completed, including one that is the keystone of the entire restructuring program. This was the sale of our Florida phosphate properties for about $200 million in cash before taxes, or about $125 million after taxes and expenses. The phosphate operations were profitable, enabling us to obtain full market value for them. Furthermore, were we to remain in the business, we would have had to commit a large part of our capital funds to expand our mines and facilities in Florida. Instead, the gain on their sale was used to offset losses that would be sustained on unprofitable and low-return dispositions, thereby minimizing any adverse effect on 1980 income.

Altogether, the disposal program is generating over $350 million in net cash, after taxes and expenses. We are using this cash, along with normal cash flow, to fund a $1.5 billion expansion program through 1985, the largest undertaking of its kind in the Company's history. More than a dozen projects, ranging in cost from $3 million to more than $100 million and totaling almost $440 million, were underway in 1980. All three Divisions are sharing in the expansion, but most of the funds have been allocated to our capital-intensive chemical operations. Our brand-name consumer products benefit more directly from advertising, promotion, and new-product development, and record expenditures of $220 million are planned for these purposes in 1981 as an integral part of the development program.

The restructuring of Borden, although complete in design, is deliberately being carried out over several years in order to maintain a strong balance sheet and establish the solid financial base that warrants a lasting effect on our stock. Consequently, the actions being taken will continue our historical growth rate in 1981 and 1982, as our cash is recycled for use in new plants and acquisitions. However, we foresee larger returns starting in 1983, when the major projects come into production and the world's industrial economies are robust once again.

* * *

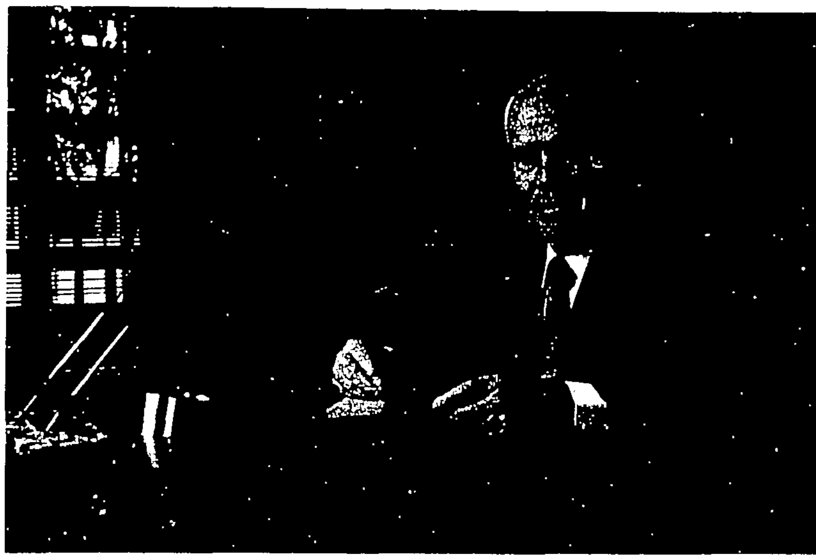
An undertaking of this kind can succeed only with the full support and goodwill of those who must participate in it. We are grateful to members of the Board of Directors, for their unanimous and wholehearted approval of the restructuring; to the employees, for their willing acceptance of added duties and responsibilities, and to the shareholders, for their generous support of management and of this new direction for the Company, as reflected in the enthusiastic letters that have been received since the restructuring was announced.

* * *

Walter R. Olmstead resigned as a Director on Dec. 31, bringing to a close 43 years of association with the Company. He was elected to the Board in 1967, shortly after being named Executive Vice President and a member of the first Office of the Chairman. He was elected Vice Chairman in 1973, and held that position until his retirement from the Company in 1977.

He was known as "Red" to countless employees; his popularity stemmed from a first-hand familiarity with almost every detail of the operations he directed together with a deep understanding of people and how to motivate them. For ten years beginning in the early 1960s he guided the growth of our food operations. I join his associates on the Board and throughout the Borden organization in expressing our deep appreciation to "Red" Olmstead for his devoted service and valuable contributions to the Company.

Eugene J. Sullivan
Chairman and
Chief Executive Officer



Borden Consumer Products

The Consumer Products Division was formed in mid-October by the consolidation of the Foods Division and Dairy and Services Division. The name was chosen to encompass the range of brand name products that are and will be directed to the consumer market.

The consolidation itself was part of the corporate-wide restructuring program, announced in July. Dispositions involving about $400 million in sales, particularly in commodity foods, as a result of the restructuring and earlier programs, had streamlined the two divisions' operations sufficiently to combine them for a unified approach to the trade. As part of its development program for the 1980's, the company contemplates increased outlays for advertising, promotion, new-product development, and acquisitions in its consumer-oriented domestic operations. These activities can be coordinated most effectively within a single division.

The Consumer Products Division consists of seven product groupings: Grocery, Snacks, Refrigerated, Bakery, Specialty, Dairy, and Beverage/Industrial.

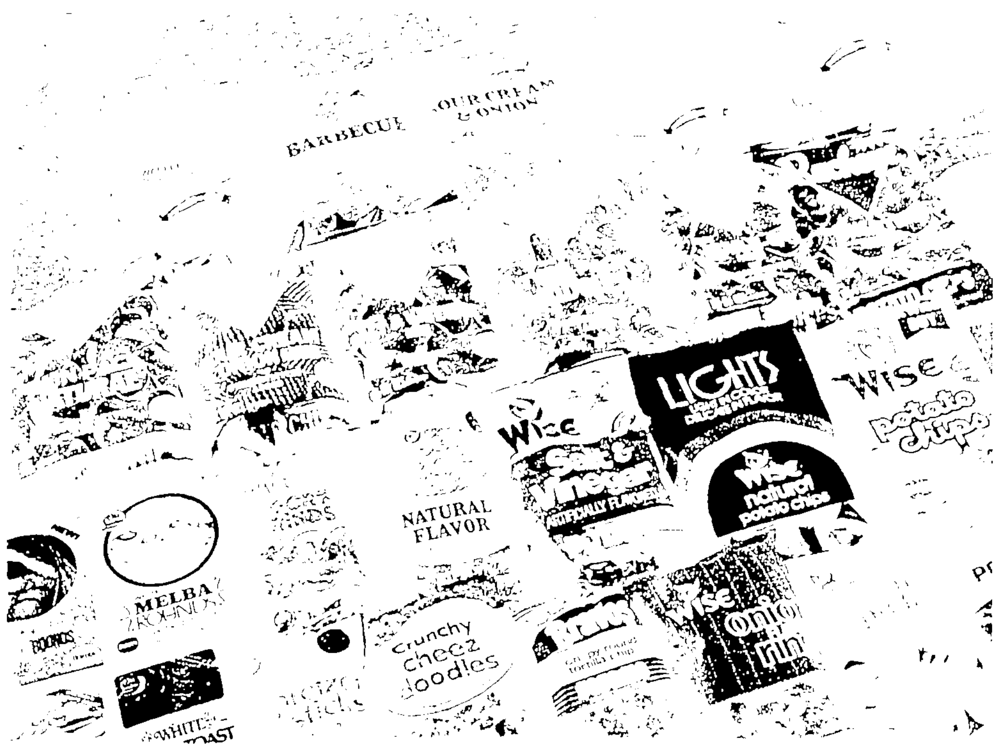
Grocery Products markets the company's most diversified group of food items, their common denominator being long shelf life and warehouse distribution through brokers primarily to retail food stores. Well-known trademarked products include Eagle Brand sweetened condensed milk, Wyler's drink mixes and bouillon, ReaLemon reconstituted lemon juice, Snow's canned chowders and seafood, Bama jams and jellies, Cremora nondairy creamer, Kava coffee, None Such mince meat, and Country Store instant potatoes.

Eagle Brand strengthened its position as the country's leading brand of sweetened condensed milk, registering strong gains in unit sales as a result of major advertising investments in both print and television. ReaLemon lemonade mix, following successful test marketing, was rolled out to two-thirds of the country. The success of this product supplemented the Wyler business and helped Borden recapture number two position in the drink mix field. Wyler also benefited from healthy sales gains with its unsweetened drink mixes, which were added to the original line of presweetened mixes in 1978.

Volume of Bama jams and jellies posted a significant increase in 1980, reversing three years of decline, as a result of concentrated marketing efforts in the South and Southwest, where Bama has long ranked as the leading brand. Snow's seafood products rebounded to the levels experienced before clam shortages in the mid-1970's pushed prices up and curtailed consumer demand.

A new breakfast drink, Orange Burst, went into test markets in Cleveland, Ohio; Kansas City, Mo.; and Memphis, Tenn. It is made with patented encapsulated flavors developed by the Division's Beverage/Industrial operations. Testing is also underway for new Kava ground roast coffee, in Milwaukee, Wisc.; Portland, Ore., and Houston, Tex. A new, improved blend of Kava instant coffee was introduced, as was an improved ReaLemon reconstituted lemon juice product.

Borden snacks were introduced in major marketing areas of the Southwest during a year of unparalleled expansion.



Some of the most familiar brands in America are marketed by the Consumer Products Division.

Rights to the Sacramento brand of tomato juice and related products were sold effective April 1. The Sacramento processing plant in Sacramento, Calif., had been sold in 1979.

In **Snacks,** 1980 was a year of unparalleled expansion for Borden.

The Buckeye Potato Chip Company, of Columbus, Ohio, and Guy's Foods, Inc., of Liberty, Mo., which were acquired in 1979, were fully integrated into the Division's existing snack business during the year. A new headquarters was established for the Snack Group at Atlanta, Ga., central to the Group's major marketing areas, and staffed with personnel from the former headquarters in Berwick, Pa., as well as with newly recruited professionals.

In May, the company acquired the Southwest Snacks Division of the Acton Corporation, consisting of Morton Foods, of Dallas and Lubbock, Tex.; Dentler-Facs, of San Antonio, Tex.; Dickey's Potato Chips, of New Orleans, La., and a manufacturing plant at Wichita, Kan. These operations were integrated into the Snacks Group.

The Snacks Group currently operates ten manufacturing plants, and an eleventh plant is under construction at Spartanburg, S.C. It will become fully operational in early 1981. Significant capital additions were made to the Liberty plant to provide production capabilities for tortilla chips.

In keeping with plans for integrating the newly acquired businesses, the Wise related product lines were introduced into Buckeye's, Guy's and Southwest's marketing areas. These new lines registered a growth rate more than 80% greater than the previous lines sold by the acquired companies.

During the year, the Group launched a successful business development program in the Atlanta market, which had been almost void of Borden snacks.

Major new products will be market tested in early 1981. These products do not currently exist in the marketplace, but in an extensive pre-introduction research program they received the highest marks ever among consumers in terms of product satisfaction and intent to purchase.

A repositioned and improved Crunchy Cheez Doodle line grew by almost 50%. A new "super size" Puffed Cheez Doodle doubled sales in four Northeastern test markets. The new product will be expanded into the entire Borden snacks marketing area in 1981.

The **Refrigerated Products** unit in 1980, as part of the corporate restructuring program, moved to shrink the "commodity" side of its business in cheese,

As part of its restructuring program, the company is shrinking the "commodity" aspect of its business in cheese and emphasizing Borden-brand packaged products, which benefit from advertising and promotional support.

abandoning its role as an assembler and ager of Cheddar for large industrial customers, and undertaking a joint study with Land O'Lakes, Inc., a large midwest food and agriculture cooperative, to investigate possible changes involving cheese inventories, processing, and packaging.

Three new refrigerated products were developed for the consumer market and a line of cheese substitute products was introduced to the foodservice trade (restaurants, hospitals, in-plant cafeterias).

Swiss Flavor Lite-line slices are undergoing test marketing in Buffalo, N.Y., and Charlotte, N.C. At year end, sales and market share were well above target. The first flavored diet slice, the new item is a pasteurized process cheese product with one-half the calories of process Swiss cheese.

Lite-line Dips, dairy dips with one-half the fat and fewer calories than sour cream dips, were put into test in late fall in the Milwaukee, Wisc., and St. Louis, Mo., marketing areas. The product is packed in 8-ounce cups and available in four flavors: French Onion, Clam & Lobster, Onion Chive, and Yogurt.

Country Meadow slices, the first Borden cheese food substitute to be marketed to consumers, were introduced on a test basis in Florida during the third quarter. The product has the taste of process cheese food slices, but with 70% less cholesterol and less fat. It is available in 8-ounce and 12-ounce packages.

Cheese substitute products are also being marketed throughout the country through foodservice outlets, under the name Cheeztwin. Cheeztwin is nutritionally equivalent to, and performs as well as, the cheese products it replaces. It is available in 5-lb., 20-lb., and

40-lb. loaves (blocks and slices), and in a variety of flavors: American, 50-50 Cheddar blend, American cheese-spread, and Mozzarella. Two other forms were added at year end: Shredded Mozzarella, and Shredded American.

Swiss cheese production capacity was increased almost 30% with the completion of a $2.5 million expansion of a plant at New London, Wisc., making it the largest Swiss cheese plant in the United States. Part of the plant's production goes into Borden brand, foodservice, and retail cuts, and the remainder is sold to major food chains in bulk blocks for their cutting and packaging. Expansion of the plant was necessary because demand had exceeded capacity and available product was on allocation to customers.

The **Bakery Products** unit operates under the Drake's brand, serving the area from New England to Florida with an extensive line of snack cakes, pies and cookies that includes such tradename items as Ring Dings, Devil Dogs, Doodles, Yodels, and Coffee Cake Jr.

Borden offers a full range of milk products for every life-style and nutritional preference.

Distribution was extended during the year to parts of West Virginia, Virginia, Kentucky, Tennessee, North Carolina and Georgia through non-competing baking companies that act as wholesalers in their areas for the Drake line.

During the second quarter, Drake introduced a new marketing concept, called Value Pack. The package count of each of six major products was increased from eight to 16 units, which permitted offering a substantial saving to the consumer.

The **Specialty Products Group** consists of the Division's confectionery and pasta operations.

Cracker Jack candied popcorn registered a substantial gain in tonnage from the previous year with the support of the heaviest advertising schedule in the product's 109-year history and the largest marketing program of any product in the confection and snack industries. Capitalizing on Cracker Jack's unique "toy surprise" concept, certificates redeemable for $500,000 worth of Super Toy Surprises, including full-size station wagons and Mattel toys, were placed in Cracker Jack boxes and bags during a year-long promotional campaign. The promotion, and the history of the product itself, generated more than 5,000 radio and television commentaries and 1,000 newspaper articles.

Drawing further on the strength of the brand franchise, new products carrying the Cracker Jack name were placed in test markets, among them Cracker Jack Peanuts and Cracker Jack Butter Almond Crunch.

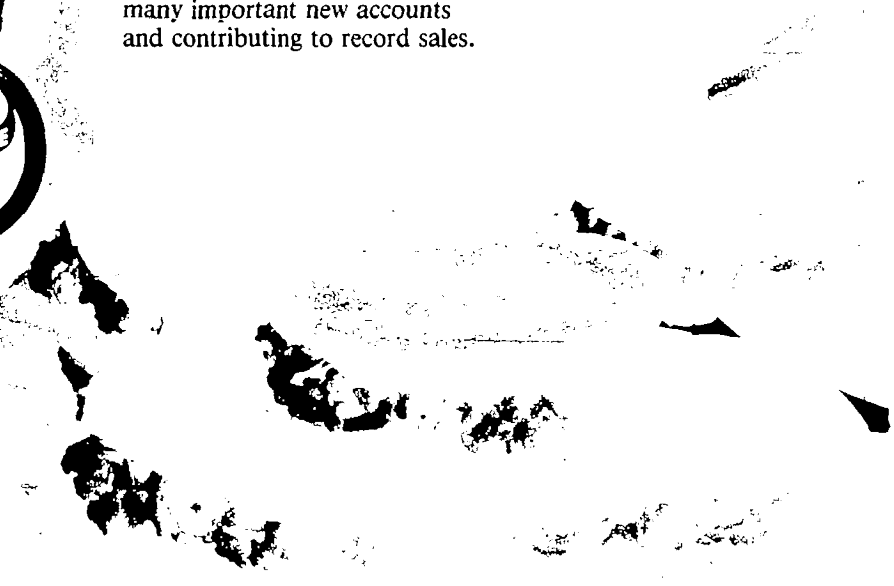
Another instance of capitalizing on an established brand was the replacement of the Deran label by the Borden label for the group's line of chocolate and hard candies. The changeover was credited with attracting many important new accounts and contributing to record sales.

Campfire marshmallows established new highs in volume, aided by expanded distribution and the success of a sales promotion featuring a replica of a 1920's Campfire tin canister.

The Creamette pasta line marked its second year under the Borden banner with a sharp gain in tonnage over the record level of 1979 and a new high in market share. Deeper penetration of existing markets and expansion into markets in the Southeast and Southwest were responsible for the improvements.

A new production line went into operation early in 1981 at Creamette's New Hope, Minn., manufacturing facility. An additional production facility is under consideration in the West to better support the growing Creamette business in that area, where sales increased almost 50% during 1980.

The **Dairy Group** is the largest of the Division's seven units. Its 61 dairy processing/manufacturing plants and 116 distribution branches generate over $1 billion in annual sales.



The recipe for these "Party Ham 'N' Cheese Sandwiches" appears in the New*Idea Book "Introducing Cottage Cheese," prepared by the Borden Kitchens.

Borden is one of the few "full line" dairy processors in the country, offering a complete range of milk and milk products and ice cream and other frozen desserts. The dairy operations also process single-strength fruit juices and drinks.

The year was marked by a further shift in distribution toward the growing population centers in the Sun Belt. Seven facilities in the Northeast, primarily marginally profitable ice cream distribution branches, were closed, offset by the acquisition of a long-established dairy in Austin, Tex., Superior Dairies, Inc.

Elsie the Cow was given a dominant role in the group's marketing efforts, following research findings that a large percentage of the public in all age groups identifies Elsie with Borden and with the concepts of quality and wholesomeness. The Elsie name was given increased prominence as a product trademark, and Elsie was featured in advertising and on in-store promotional materials.

Elsie made visits to 35 cities, including New York, where she appeared in the Rainbow Room at Rockefeller Center.

Several new products moved from concept to development during the year and will be introduced in test markets in 1981.

One is a unique "second generation" cottage cheese that will be marketed under the name Elsie's Qube. It is a form of cottage cheese, which can be flavored with fruits, spices, or additional cheese such as Cheddar. Being a form of cottage cheese, Qube has a similar nutritional composition–low in fat and cholesterol and high in protein.

Also ready for testing is a line of International Desserts, premium quality frozen desserts featuring Lady Borden ice cream flavors joined with ices, fruits, and sauces. Each item will be packaged in a decorative box imprinted in both English and the language of the country of origin. Six desserts will be in the line initially: two from France and one each from Denmark, Japan, Italy, and Germany.

Juice is the fastest growing segment of the beverage industry, and to expand its position in this category the Dairy Group in mid-1981 will begin test marketing aseptically processed fruit juices in three flavors. The products will be

Borden offers a full range of frozen desserts -- ice cream, ice milk, sherbet, water ice -- in packaging, sizes, forms and flavors to satisfy every consumer preference.

The Creamette pasta line achieved record tonnage sales and a new high in market share.

made at a plant in the Southwest, where the tests will be conducted, and will be packaged in a revolutionary new type of container in a 1-liter size.

The Dairy Group is evaluating Rich's Freeze Flo process for use in a variety of products. The patented process prevents products from becoming solid at below-freezing temperatures. Borden will have exclusive rights to the products it selects in 1981 to manufacture under a licensing agreement.

The **Beverage/Industrial Foods Group** expanded its Winter Haven, Fla., plant, which processes primarily fruit drink bases, to incorporate the food-flavorings operations formerly conducted at a facility in Brooklyn, N.Y., which was closed. The enlarged Winter Haven plant serves the Division's Dairy Group as well as other food manufacturers.

The Industrial Foods unit developed several new products, some of which represent significant technological advances.

Aseptically packed sterile fruits are being made available on a test basis to Borden operations and to other food processors. The aseptic process retains the flavor and quality of fresh fruits while providing the convenience and economy of refrigerated shipment and storage. Currently, most fruits used in processing are frozen and must be thawed before use. The aseptically packaged fruits are sold in 5-gallon containers.

The industrial operations will also offer, on a test basis in the spring of 1981, a spread to compete in the butter/margarine category. The product has 40% fewer calories than margarine or butter, no hydrogenated oils, and is spreadable when used direct from the refrigerator.

For the cheese industry, a new starter media has been introduced. Called Phase 4, it is a blend in powdered form of specially tested dairy products, food grade chemicals, and a growth stimulant. The product controls the acidity of the cheese-culture material, providing an optimum range within which needed bacteria flourish. It is ten times more effective than the skim milk starter that it is designed to replace, as well as more cost-efficient. The Phase 4 now on the market is formulated for use in the manufacture of Cheddar-type and cottage cheeses. Phase 4 starters formulated for use in making Italian- and Swiss-type cheeses are being developed.

For the snack industry and other food processing applications, the Industrial Foods unit introduced an enzyme-modified, high-flavor concentrated cheese product.

Borden Chemical

Borden Chemical is one of the most highly integrated chemical operations in the United States. It produces many of its own basic chemical "building blocks," at a modern, fully integrated petrochemical complex at Geismar, La. These basic chemicals are converted, at almost 60 plants around the country, into a wide array of chemical specialty and consumer products.

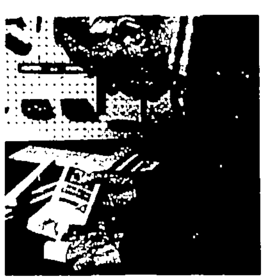
The Division is a major world producer of:

- Industrial adhesives and industrial resins;
- Polyvinyl chloride (PVC) resins for industrial and construction use, and plastic film (made from PVC and oriented polypropylene [OPP]) for retail packaging, automotive production, decorative laminates, and a multitude of industrial wrapping applications;
- Leading consumer products, including the Elmer's line of adhesives and bonding agents, Krylon spray paints, and Wall-Tex and Satinesque vinyl wallcoverings;
- Printing inks and pigments.

The Division underwent a major restructuring during the year, as part of a corporate-wide program to re-shape Borden for the 1980s as a worldwide chemical and consumer products company. For Borden Chemical, the restructuring involves, on the one hand, the disposal of a highly cyclical, labor-intensive agricultural operation, as well as several consumer-product businesses with small market shares, and on the other hand, the start-up of a major development program covering the principal areas of the Division's continuing operations. The development program includes a massive expansion and modernization of key facilities at the Geismar petrochemical complex, expansion of the plastic film and PVC resin operations, and a multi-fold extension of exploration for natural gas, which is used as feedstock at the Geismar complex. Capital projects already committed will cost more than $400 million by the time of their completion in 1983.

The following chemical operations were disposed of during the year:

- The phosphate-based facilities in Florida were sold in early July for approximately $200 million in cash. Involved in the sale were a phosphate mine and beneficiating plant at Bradley, Fla.; a phosphoric acid complex at Piney Point, Fla., and a defluorinated feed phosphate production facility at Plant City, Fla.
- The Mystik Tape operations, including the manufacturing plant in Northfield, Ill., were sold in mid October.
- The molded plastic operations were disposed of in late October. Included in the disposal were the Lustro-ware business in Columbus, Ohio, manufacturing plastic housewares, and Sterling Plastics in Mountainside, N.J., manufacturing plastic school and office supplies.



From the original Elmer's Glue-All in 1952, the Elmer's line has grown to almost 150 adhesive and bonding-agent products.

All operations disposed of have been maintained by the purchasers as going businesses.

At year end, negotiations were under way to dispose of the remaining Smith-Douglass retail fertilizer operations.

Seven major capital projects have been completed or are under construction by the Chemical Division as part of its development program for the 1980s:

• A 300-million-pound PVC suspension resins plant and chlorine recovery unit, being built at the Geismar petrochemical complex. It will be located adjacent to an existing vinyl chloride monomer (VCM) facility, which will supply the raw material. The new plant will boost the Division's PVC capacity by 60% to 800 million pounds a year. The chlorine recovery unit will convert chlorinated hydrocarbon waste from both the PVC and VCM operations into recyclable hydrochloric acid, thereby reducing waste disposal costs and improving the environmental quality of the Geismar complex. Completion is scheduled for 1983.

• Modernization of the ammonia plant at Geismar, involving a changeover to a new, low-pressure technology. The new system provides a 17% reduction in energy usage per ton of output, while raising production 36% from the current 295,000 tons per year to 400,000 tons. Completion is scheduled for 1982. Ammonia is a key feedstock for urea, which is used by the Division in the manufacture of urea/formaldehyde resin adhesives for the plywood and particleboard industry, and in the production of specialty lawn chemicals.

• A 40% expansion of acetic acid capacity at Geismar, to 140 million pounds annually. The project went on stream in August. Acetic acid is a component of vinyl acetate monomer, which is also produced at Geismar, and which

Its "no-drip, no-run" features have helped to make Krylon the largest selling brand of spray paints in the United States.

Borden Chemical is a leading supplier of specialty PVC resins to manufacturers of phonograph records.

The Division's Resinite Pallet Wrap, an industrial grade of PVC film, was developed for the stretch wrapping of palletized products, eliminating the need for taping, strapping, or heat-sealing. Resinite film capacity is being increased 35% at Griffin, Ga., the world's largest PVC film plant.

Borden is the leading supplier of adhesives to the plywood and particleboard industries.

the Division upgrades at other plants into polyvinyl acetate–used in Elmer's Glue-All, packaging adhesives, and paint emulsions.

• A 20% expansion of methanol capacity at Geismar, to 180 million gallons a year, made possible by a changeover from a high-pressure to a low-pressure process. The new system yields the higher volume with no increase in feedstock usage. The project is in two stages to permit continuous operation of the facility; the first stage was completed during the year, and the second stage will be completed in 1981. Methanol is the raw material for formaldehyde, of which Borden is the world's largest producer.

• A 35% expansion of Resinite PVC packaging film capacity at Griffin, Ga. This plant is already the world's largest producer of vinyl film, and one of four Resinite plants operated by the Division. It will be in operation in 1981.

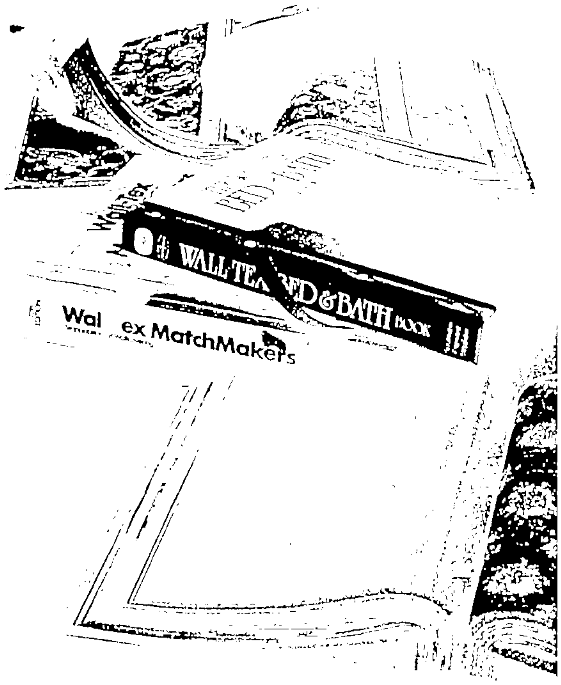
• A doubling of capacity for OPP packaging film at North Andover, Mass., expanding a facility that came on stream only in March and marked the Division's entry into OPP film production. Output of the first unit was 80% sold out within three months of start-up. The second unit is scheduled for completion in 1981.

• A five year, $150 million gas exploration program in Louisiana that will enable the Division to replace, with its own supplies, progressively larger amounts of gas that is now furnished under contract to the Geismar petrochemical complex. This is a 500% expansion of the program carried out in the preceding five years.

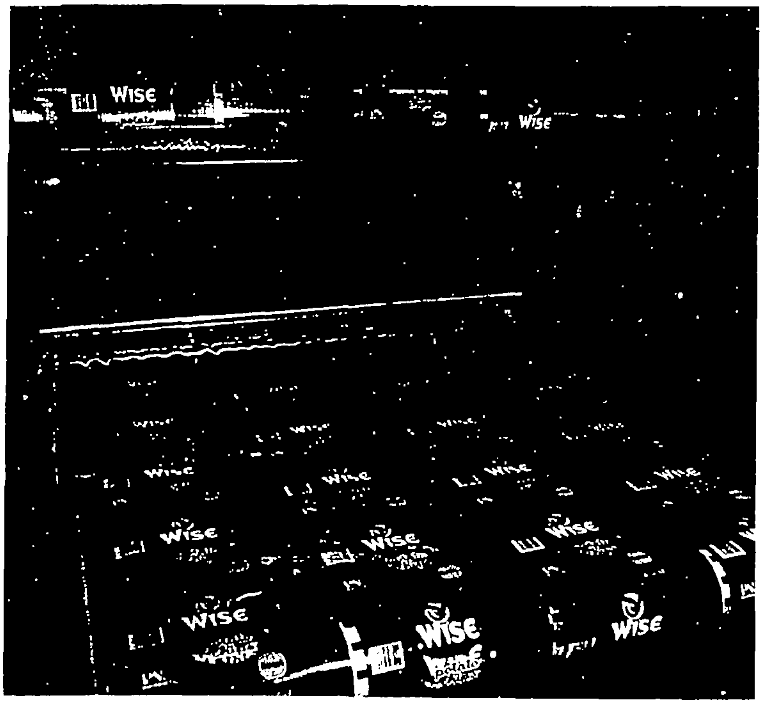
The company's gas reserves were expanded during the year as the result of commercial discoveries in wildcat wells in four Louisiana gas fields:

• Dalcour Field, 50% working interest in a 2,400 acre lease block; a well tested at the rate of 3.2 million cubic feet of gas per day.

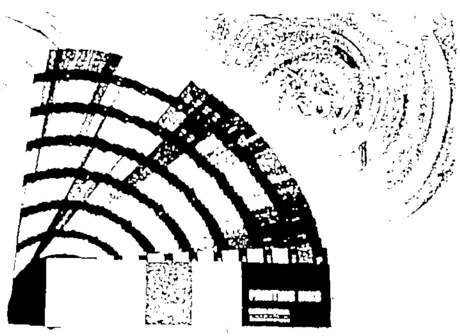
• Baldwin Field, 50% working interest in a 3,700 acre lease block; a well tested at 8 million cubic feet/day.



A 60% expansion of PVC capacity to 800 million pounds a year will benefit Borden Chemical's coated fabrics operations, which convert PVC resins into, among other products, Wall-Tex wallcoverings, the country's leading brand of vinyl wallcoverings.



A doubling of capacity for oriented polypropylene (OPP) packaging film was undertaken during the year and will be completed in 1981. The photo shows film being converted to imprinted packages at a customer's plant in Clifton, N.J.



Borden Chemical offers a full range of inks for letterpress, lithographic, packaging and publication gravure, and flexographic printing, as well as ink pigments.

• East Franklin Field, 40% working interest in a 1,000 acre lease block; a well tested at 5.75 million cubic feet/day, plus oil at 108 barrels/day.

• West Ridge Field, 70% working interest in a 400 acre lease block; a well tested at 1.9 million cubic feet/day.

In addition to developing its own reserves, the company in May contracted with Louisiana Intrastate Gas Corp. (LIG) and Placid Oil Co. to supply gas to the Geismar complex through 1990. LIG will deliver the gas, using its own, Placid's, and other outside sources as well as Borden's own reserves. The new agreements took effect in late December, when Texaco, Inc. stopped delivery under one long-term contract that was not due to expire until 1982.

Borden has filed suit against Texaco in U.S. District Court in Columbus, Ohio, for damages of $200 million. The suit charges that Texaco's termination notice to Borden was improper and that the premature termination is a direct violation of the contract, which was signed in March, 1972. The suit also charges Texaco with a violation of the Federal anti-trust laws through Texaco's misuse of its dominant position as a gas producer and supplier and holder of gas-field leases in Louisiana.

All the long-term, low-cost gas contracts the chemical industry has enjoyed will come to an end within a few years. Borden has been preparing for the phasing out of several long-term gas-supply contracts between 1982 and 1985 in Louisiana. The agreements with LIG and Placid will replace previous contracts with other suppliers upon their expiration. The average contract prices under the new agreements are at levels which, when combined with gas from the company's exploration program, will provide a gas cost below the Louisiana market price. The aggregate gas cost will decline further over the term of the contracts as Borden reserves grow and account for a greater share of the total requirements. At year end, the Borden reserves represented about 20% of current annual requirements, based on an 8-year depreciation of the reserves. The goal of the current exploration program is to develop reserves that will provide 30% to 40% of requirements by 1985.

Borden Inc. International

Borden Inc. International handles the company's business outside the United States. It operates, through consolidated and equity subsidiaries, 50 chemical and 43 food and dairy manufacturing and processing plants in 28 countries, and is also responsible for the export of Borden products, from both the U.S. and abroad, to almost 130 countries.

The Division manufactures many of the same products produced by the company's two domestic divisions. On the chemical side, Borden International is a major producer of formaldehyde, methanol, PVC packaging film, urea/ and phenol/formaldehyde resin adhesives, foundry resins and molding compounds, and consumer products. On the food side, it is an important producer of pasta, bakery goods, snacks, cheese, drink mixes and bouillon. It also manufactures a variety of products tailored to the needs and preferences of local overseas markets--products as disparate as bookbinding and shoe adhesives, melamine molding compounds, epoxy resins, floor polish, canned heat, caldos, and synthetic coffee. The relatively small size of any one overseas location enables the Division to enter areas of business that would be economically impractical in the United States. Borden International, however, is one of the world's largest producers of powdered whole milk, under the KLIM brand, and the product is the company's most widely distributed.

The Division is organized into four geographical groups: Europe/Canada, Latin America-Southern Tier, Latin America-Northern Tier, and Asia. Each of the groups handles both chemical and food products.

EUROPE

The Division's wholly owned subsidiary in the **United Kingdom** is the company's oldest in Europe, dating to 1936. Organized to supply resin adhesives to the plywood industry, it expanded in the postwar years into specialty industrial chemicals and plastics and, in recent years, into a variety of consumer products. Today, it is among the U.K.'s leading manufacturers of industrial adhesives, foundry resins, epoxy compounds, packaging film and rigid and

A selection of consumer products manufactured abroad by the International Division. The Division also markets overseas a wide variety of Borden consumer products manufactured in the United States.

semirigid packaging materials, and such consumer products as Elmer's Glue-All, Krylon-type paints, and Humbrol hobby paints and model kits. Products are marketed throughout the U.K. and to continental Europe, Africa, India and the Near East.

In spite of Great Britain's worst recession since World War II, coupled with high interest rates and a strong sterling (the latter adversely affecting exports), the U.K. affiliate had an excellent year overall, although business tapered off in the fourth quarter. The market for foundry resins--primarily the automobile industry--was particularly hard hit.

A collection of new paint colors under the Humbrol brand was introduced by the Borden chemical subsidiary in England. Humbrol is the largest-selling brand of hobby paints in the United Kingdom.

Construction began toward year end on a new formaldehyde plant in England that will employ a unique manufacturing process, called "Combi," which was developed jointly by Borden and Montedison of Italy. The process will reduce production costs by 10% over existing conventional methods. The plant is scheduled to be in operation in 1982.

The affiliate introduced a new remoistenable hot melt adhesive for envelopes. Although, by itself, not a significant product, it is the first of a family of foam hot melts that together are expected to constitute a promising new market. Also considered the entry point for a potentially important market was the introduction of thermoformed containers carrying bar codes for laser beam recording at supermarket checkout counters. On the consumer side, a new line of Krylon car customizing paints and accessories was marketed, as were collections of new paint colors and kits for the hobby and model lines.

The Division's chemical operations in **France** benefited from the year-long results of two specialty companies acquired late in 1979: Boniface, the country's leading manufacturer of foundry resins, and Lambiotte, the dominant supplier of adhesives to the shoe industry, as well as a manufacturer of other specialty adhesives. The new companies were integrated into existing, related operations, which include a sizeable business in industrial and consumer adhesives tapes and industrial protective films.

The foundry business in France, too, became depressed during the year, but the market for shoe adhesives, domestic and export, expanded substantially. The government's stress on energy conservation particularly benefited one of the affiliate's specialty chemical lines: adhesives for insulation panels. A new line of sealants for windshields was developed for which a major contract was obtained with a leading automobile manufacturer.

In **West Germany,** where the Division ranks as a leading commercial bakery, several changes in strategy were undertaken to develop the stronger and more promising areas of business. These included a shift in emphasis to American-oriented products, such as hamburger buns and lower-calorie breads; the development and production of a line of brown and serve products (oven heated at home by the user) that have substantially longer shelf life than fresh bakery goods, and a concerted move into the institutional field, to take advantage of the swing to food

The Borden bakery in West Germany introduced a line of brown and serve products (French breads, croissants and rolls) that have substantially longer shelf life than fully baked goods.

consumption outside the home (one meal in four is now eaten away from home).

A $6 million expansion of the hamburger bun line at the bakery, near Frankfurt, will more than double capacity, to almost 300 million buns annually, upon its completion early in 1981. A new line of brown and serve products, initially baguettes (French-style breads), was extended with the addition of croissants and rolls. Tests are being conducted on several other extended-shelf-life products.

Jumbo bouillon cubes using base powder imported from the Borden food affiliate in Spain are being manufactured under license in the Ivory Coast and Sierra Leone. Above, a young merchant offers the individually wrapped cubes at a market in Sierra Leone.

In **Spain,** a Borden affiliate operates one of the country's largest foods companies, which markets an extensive line that includes dehydrated soups, soft drink mixes, snacks, baked goods, and grocery products. Although functioning in a depressed economy, it experienced a highly favorable year, primarily because of a surge in exports, which doubled, owing to the development of major new markets, chiefly in West Africa.

A premium soup line was introduced, and captured a third of the market within nine months. A line of yeast-raised bakery products was tested, with satisfactory results.

The Spanish chemical operations, which are engaged primarily in the production of urea/formaldehyde resin adhesives, ventured into a new area with the development of phenolic resins for brake linings and glass fiber. Acceptance by industry was excellent. A household size of Resinite PVC packaging film was introduced.

In **Denmark,** the Division disposed of its cheese business, which had been operating at a loss because of its small market share and heavy competition from more favorably situated dairy cooperatives. Sales of Cocio, the country's largest selling brand of bottled chocolate milk, set a new high, in spite of cold and wet summer weather that severely depressed the total soft drink market.

KLIM powdered whole milk, produced in Denmark, Ireland and Australia for export, had an excellent year, in the face of a 30% jump in the world price of powdered milk and relatively tight milk supplies.

AFRICA

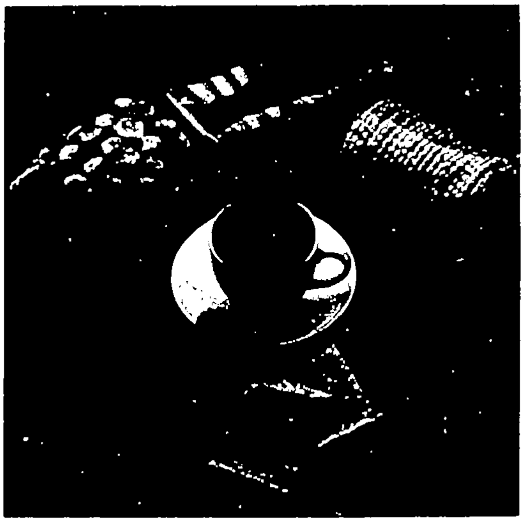
The Division early in the year licensed companies in the Ivory Coast and Sierra Leone to manufacture jumbo bouillon cubes, and other licensing arrangements are in the process of negotiation. The base powder is imported from the Division's affiliate in Spain, and the cubes are processed and packaged locally.

The Division's operations in South Africa had a record year, with all business sectors showing a substantial improvement from 1979. Borden manufactures Cremora nondairy creamer, Daybreaker instant breakfast drink and Resinite PVC film, and markets KLIM powdered whole milk produced to specifications by a local dairy cooperative.

CANADA

The Division's Canadian dairy operations were sold in March in a transaction that generated $10 million in cash on a business that had a negative return on investment in recent years. The sale included disposal of a group of retail ice cream parlors.

The food and chemical operations' results were above those of a year earlier, in spite of a weak Canadian economy. The food operations benefited from a highly successful Christmas baking promotion, which featured four of the principal food products. Sales of ReaLemon brand powdered lemonade attained number one position in the Canadian lemonade market. Eagle Brand sweetened condensed milk achieved new record sales levels.



Suzy, S.A., a Borden affiliate in Brussels, Belgium, is the world's largest manufacturer of waffles.

A $2.5 million formaldehyde plant went into production in November at Laval, near Montreal, Quebec. At full operation it will increase the Division's Canadian formaldehyde capacity by 40%.

A selection from the varied line of dry pastas offered by Adria, a Borden affiliate in Sao Paulo, Brazil, that is considered to be the largest pasta company in the Western Hemisphere.

Construction began on a $3 million Resinite PVC packaging film plant at Edmonton, Alberta. Completion is scheduled for 1981. It is the International Division's 12th film plant.

LATIN AMERICA

The rapid growth in recent years of Borden operations in the southern region of Latin America (Argentina, Brazil, and Uruguay) led to their designation in 1980 as a separate operating group of Borden Inc. International. The group has its headquarters in Sao Paulo, Brazil.

In **Brazil,** the chemical operations enjoyed their best year ever, as sales went above $100 million for the first time. The results stemmed primarily from steps taken by local management. These included a cutback in slower moving lines, aggressive price increases to reflect inflation, and the introduction of the practice of "tolling," wherein major customers carry their own inventories of raw materials and pay a fee for processing. The practice substantially reduced the Borden affiliate's cost of inventory, which was being financed at high interest rates.

A new $6 million formaldehyde and resins plant went on stream in June in Manaus, Brazil, a thousand miles up the Amazon River. It has an initial capacity of 90 tons of products per day, and will serve the growing wood industry of the Amazon Region, as well as the export market. The plant is situated in a free port, making it practical from a cost standpoint to supply it with methanol from Borden Chemical's petrochemical complex at Geismar, La.

In the food operations, government price controls affecting major food categories tempered the growth of Adria, the Borden affiliate in Sao Paulo that is perhaps the largest pasta manufacturer in the Western Hemisphere. Business, nonetheless, increased from a year earlier. Product development efforts centered on specialties and peripheral items exempt from price restrictions, and brought forth a group of three seasoning mixes, a hamburger "extender," and an addition to the Romanini line of fresh pasta dishes.

In **Ecuador,** the Borden resins and formaldehyde plant at Quito consolidated its position as the country's sole supplier of urea/formaldehyde resins and has made a strong entry into the acetate emulsion field.

In **Uruguay,** that country's second particleboard plant opened a new market for adhesives produced locally by Borden.

The chemical operations in **Mexico** received government approval to increase formaldehyde production. Improved efficiencies generated an increase in molding compound capacity, which was absorbed by the market. A new Resinite plastic film unit was installed at year end. A new formol plant is under consideration for the north of Mexico.

Powdered milk retained its role as a major product for Borden in Latin America. KLIM brand is by far the leading product in **Colombia** and in **Panama,** and local production continues to increase. The Panamanian company produces, in addition to powdered milk, cheese, fruit juice crystals, and liquid fruit juice punches. Locally produced Lady Borden ice cream was introduced, as was Borden brand ice cream in the Canal Zone. An expansion of the ice cream plant is under way.

In **Puerto Rico,** Borden operates in four areas of the food business: as a direct distributor of dry grocery products (Borden and non-Borden brands) and cheese; as a full line distributor of frozen foods; as a manufacturer of snacks and specialties, including the well-known Coco Lopez brand of

cream of coconut, and as a producer of canned sauces and nectars as well as sanitary cans for outside customers. During the year, the operations introduced Borden Cheeztwin brand cheese substitute products to the food service industry, a tropical fruit punch (10% fruit juice), and a Piña Colada cocktail mix made with Coco Lopez cream of coconut. Sales for the Puerto Rican operations exceeded $130 million in 1980.

ASIA

The Division's Asia Group enjoyed a record year in spite of market conditions that were almost uniformly unfavorable. The chemical operations were led by the affiliate in **Australia,** which recorded significant increases. As raw material costs soared, it adopted an aggressive pricing policy and tight inventory controls that contributed substantially to the improvement. Plans are well under way to establish a fourth formaldehyde and resin operation in Australia, on the west coast. Existing plants are in Sydney, Melbourne, and Brisbane.

With chemical operations in Manila, Davao, and Zamboanga in **The Philippines** and in Penang in **Malaysia,** Borden is the major supplier of resins to the growing plywood and particleboard industry in Southeast Asia, an area with vast timber stands. The slowdown in housing starts in Europe and the United States affected the Southeast Asian forest products industry and in turn the Borden operations, but their market share increased nonetheless. A major expansion of the spray dryer in Penang was completed. It produces urea/formaldehyde resins in powder form, which gives the product longer shelf life and lower distribution cost.

In Japan, Lady Borden ice cream strengthened its leading position in the premium ice cream market, notwithstanding a wet and cool summer. Market share and total volume increased from a year earlier as the result of successful sales campaigns. Lady Borden ice cream will be featured at the Disneyland entertainment center under construction in Tokyo.

Lady Borden is the largest selling premium ice cream in Japan. Lady Borden Holiday Decorator ice cream cakes have become an increasingly popular specialty.

The Borden cheese venture in Japan encountered tightened consumer spending, sharply higher raw cheese costs and increased competition, but an aggressive cost reduction program enabled the operation to maintain its competitive position.

The Japanese Resinite film operation was faced with over capacity in the marketplace and a slowdown in the pace of supermarket expansion. Further pressures are expected in 1981. These are being met with improvements in product quality, research on new applications, and a streamlined distribution system.

The new animal nutrition company in **Korea** completed its first full year of operation with results ahead of projections. Further gains are expected in 1981.

EXPORT

Export operations had a record year, although the pace slackened in the second half following the sale of the company's phosphate operations. Rising raw material costs and ocean freight charges, along with strong price competition, reduced margins below a year earlier.

CAN MACHINERY

The Can Machinery Group registered a significant increase in results in spite of a hesitant market for heavy capital equipment. Gains in productivity were achieved at all manufacturing plants.

Corporate Activities

Social Responsibility

The company strengthened its commitment to social responsibility through philanthropic activities and its own employment and purchasing practices, concentrating its efforts behind programs in the communities in which it operates.

The company channels its charitable contributions through the Borden Foundation Inc. United Way agencies in 125 Borden communities benefited from company donations made through the foundation. The foundation again gave priority to health care and nutrition programs. Health care organizations in the United States received 90 individual grants in support of a wide range of activities, from the purchase of pulmonary function testing equipment, in Norfolk, Va., to the operation of a poison control center, in Columbus, Ohio.

The Matching Gifts Program for Higher Education pledged to match gifts by eligible employees to 88 colleges and universities during 1980. Further support of higher education was given through the United Negro College Fund, Inc. and the Independent College Funds of America, Inc., which together represent more than 600 colleges and universities in the United States.

The Borden Foundation addressed other corporate social responsibilities through its assistance to minority and women's organizations, among them Catalyst, the Girl Scouts, the NAACP Special Contribution Fund, and the National Minority Supplier Development Council.

The sale in 1980 of five businesses that had been substantial contributors to the company's Minority Purchasing Program caused a decline from a year earlier in the total dollar amount of purchases from minority vendors. Nonetheless, the volume and character of business conducted with minority suppliers by continuing operations improved. In 1980, for the first time, a minority-owned household carrier was used for employee transfers, and oil field supplies were purchased from a minority-owned company.

The company's commitment to minorities and women was also reflected in its employee programs. In spite of a decline in the total number of management and professional employees during the year, the percentages of minorities and women in these higher level jobs increased. The company is pledged to a further improvement in the representation of these groups in its workforce.

* * *

Changes in Directors and Officers

William S. Renchard, chairman of the directors advisory committee of Chemical Bank and a Borden director since 1962, did not stand for reelection in accordance with a company policy that nominees for director be under 72 years of age at the time of election. His term expired April 16, the date of the annual meeting.

Jess N. Dalton, an attorney in Mexico City, Mexico, and a director since 1977, chose not to stand for reelection and his term also expired April 16.

John W. Lynn, vice chairman of the board of F.W. Woolworth Co., was elected a director at the annual meeting.

Pieter C. Vink, chairman and chief executive officer of North American Philips Corporation, was elected a director April 29.

Dr. Theodore Cooper was elected a director May 27. At the time of his election he was Cornell University provost for medical affairs and dean of the Cornell University Medical College. On Oct. 1, he joined The Upjohn Company as executive vice president. He was assistant secretary for health in the U.S. Department of Health, Education and Welfare from 1975 to 1977.

Walter R. Olmstead, former vice chairman of the company and a director since 1967, resigned Dec. 31.

David A. Kelly, formerly an assistant treasurer, was elected vice president and treasurer, effective June 30. He succeeded Joseph E. Madigan, who resigned to become executive vice president and chief financial officer of Wendy's International, Inc.

Marvin J. Herb, an executive vice president of the company, was appointed president of the Consumer Products Division upon its formation Oct. 15, through the consolidation of the Foods Division and the Dairy and Services Division. Mr. Herb had been president of the Dairy and Services Division. James D. Milligan, an executive vice president who had been president of the Foods Division, resigned following the consolidation.

Max A. Minnig

The Company mourns the tragic death of Max A. Minnig, Vice President-Gas Resources. Mr. Minnig, 62, was shot to death March 23 during a street robbery while in New Orleans for a business meeting of a petroleum trade association.

Mr. Minnig was an able and respected executive, widely known in the petrochemical industry. He was also much admired within the Company and by the business community for his leadership in charitable activities.

Members of the Office of the Chairman, from left: Bernard Nemtzow, Marvin J. Herb, Eugene J. Sullivan, Robert W. Gutheil, John J. O'Connor.

BORDEN

Officers

EXECUTIVE OFFICERS

EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

ROBERT W. GUTHEIL
Executive Vice President; President, Chemical Division

MARVIN J. HERB
Executive Vice President; President, Consumer Products Division

JOHN J. O'CONNOR
Executive Vice President; President, International Division

BERNARD NEMTZOW
Executive Vice President; Chief Administrative Officer

STAFF VICE PRESIDENTS

ALFRED S. CUMMIN
Vice President-Product Quality and Safety

LAWRENCE O. DOZA
Vice President and General Controller

FRANK L. FLORIAN
Vice President-Planning

DAVID A. KELLY
Vice President and Treasurer

WALTER W. KOCHER
Vice President and General Counsel

ALLAN L. MILLER
Vice President-Employee Relations

ROBERT G. TRITSCH
Secretary

OPERATING GROUP VICE PRESIDENTS

CHEMICAL DIVISION

JOHN S. BELLECCI
Group Vice President-Basic Chemicals

THOMAS O. DOGGETT
Group Vice President-Consumer

H.A. PEED
Group Vice President-Vinyl/Plastics/Ink

R.J. VENTRES
Group Vice President-Adhesives & Chemicals/Film/Energy Resources

CONSUMER PRODUCTS DIVISION

JON G. HETTINGER
Group Vice President-Grocery Products

ROBERT P. KIRBY
Group Vice President-Dairy

ALLEN A. MEYER
Group Vice President-Beverage/Industrial

JERRAL R. PULLEY
Group Vice President-Specialty Products

GEORGE W. WAYDO
Group Vice President-Snacks

INTERNATIONAL DIVISION

FRANK V. FORRESTAL
Group Vice President-Europe/Canada

HARRY G. LAMBROUSSIS
Group Vice President-Latin America, Southern Tier

EDWARD I. PIERNICK
Group Vice President-Latin America, Northern Tier

JOSEPH M. SAGGESE
Group Vice President-Asia/Export/Can Machinery

ASSISTANT OFFICERS

H. CORT DOUGHTY, JR.
Assistant Secretary

SUSAN N. GARRISON
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

FRED J. CHRVALA
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

L. CLARKE BUDLONG
Assistant General Controller

EUGENE C. McCARTHY
Assistant General Controller

M.H. NOTOWIDIGDO
Assistant General Controller

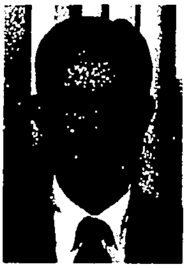
PAUL J. JOSENHANS
Assistant General Counsel

BORDEN

Directors

BOARD OF DIRECTORS

THEODORE COOPER, M.D.
Executive Vice President
The Upjohn Company
(Pharmaceuticals)



JAMES D. FINLEY
Chairman, Executive Committee
J.P. Stevens & Co., Inc.
(Textiles)

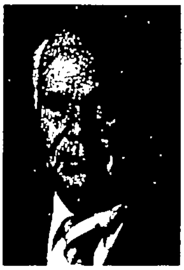
JOHN W. LYNN
Vice Chairman
F.W. Woolworth Co.
(Retail merchandising)

AUGUSTINE R. MARUSI
Retired Chairman;
Chairman, Executive Committee

BERNARD NEMTZOW
Executive Vice President and Chief Administrative Officer

W. THOMAS RICE
Chairman Emeritus
Seaboard Coast Line Industries, Inc.
(Railroads)

PATRICIA CARRY STEWART
Vice President
The Edna McConnell Clark Foundation
(Charitable foundation)



EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

PIETER C. VINK
Chairman and Chief Executive Officer
North American Philips Corporation
(Electrical/electronic manufacturing)

WILLIAM K. WESTWATER
President
Westwater Company
(A business management firm, Columbus, Ohio)

FRANKLIN H. WILLIAMS
President
Phelps-Stokes Fund
(Educational foundation)

1980 Financial Review

1980 FINANCIAL REVIEW

1980 Financial Review

Sales and Earnings

Sales and net income reached all-time highs in 1980. Sales for 1980 were $4.596 billion, an increase of 6.6% over 1979. Net income for 1980 was $147.9 million, an increase of 10.3% over $134.0 million in 1979.

Dividends

Dividends for 1980 were $1.88 per share, an increase of 4.7% over 1979. The increase in 1980 represents the seventh consecutive yearly increase. Dividends have been paid without interruption for 82 years. Future dividends and the amount thereof will depend upon earnings, cash requirements and other relevant factors.

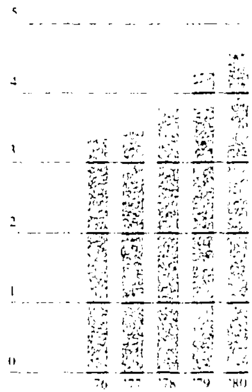
Capital Expenditures

Capital expenditures for new facilities and improvements to existing facilities were $197.0 million in 1980 as compared to $177.7 million in 1979. Depreciation, depletion and amortization aggregated $100.3 million in 1980 against $100.8 million in 1979.

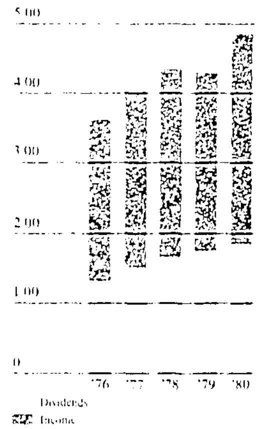
Return on Average Shareholders' Equity

Return on average Shareholders' Equity for 1980 was 12.2% up from 11.9% in 1979. A stated Company goal is to increase the return on average shareholders' equity over the next five years.

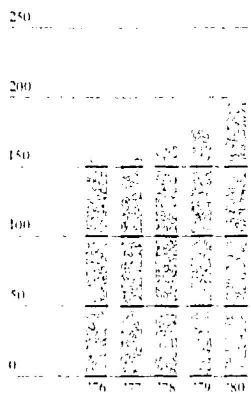
Sales
in billions of dollars



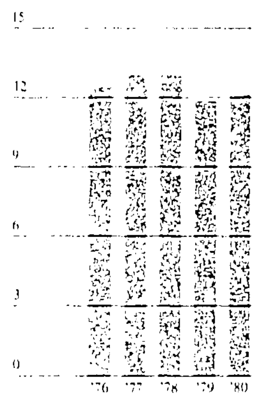
Income and Dividends Per Share
in dollars



Capital Expenditures
in millions of dollars



Return on Average Shareholder's Equity
% return



Three Year Comparison of Division Sales and Operating Income (Dollars In Thousands)

	1980		1979		1978	
Division Sales						
Consumer Products	$2,612,779	57%	$2,402,658	56%	$2,129,400	56%
Chemical	1,037,082	23	1,019,862	24	923,808	24
International (including exports)	945,934	20	890,013	20	749,351	20
Total	$4,595,795	100%	$4,312,533	100%	$3,802,559	100%
Division Operating Income						
Consumer Products	$ 110,694	36%	$ 105,641	37%	$ 101,986	36%
Chemical	113,139	37	116,605	40	110,372	39
International (including exports)	81,450	27	66,015	23	68,528	25
Total	305,283	100%	288,261	100%	280,886	100%
Redeployment	(2,748)		—		—	
Other income and expenses not allocable to divisions and federal income taxes	(154,672)		(154,246)		(145,059)	
NET INCOME	$ 147,863		$ 134,015		$ 135,827	

Management's Discussion and Analysis of Financial Condition and Results of Operations

Borden is primarily engaged in the purchase, manufacture, processing and distribution of a broad range of food and chemical products, both domestically and in foreign countries. Borden operates in two major industry segments: foods and chemical. Internally, Borden is organized into three operating divisions: Borden Consumer Products, Borden Chemical and Borden International. The foods segment encompasses the Consumer Products Division and the International Division's food products processed in domestic plants but exported outside the United States and the food and dairy products processed in overseas plants. Included in the chemical segment are the Chemical Division and chemical related products of the International Division produced both domestically and overseas. A breakdown of the Company's sales, operating profit and other information between the foods and chemical industry segments is presented on pages 27 and 28. A three-year summary of sales and operating income by the three operating divisions is presented on page 24. An analysis of the results achieved, financial condition and changes in financial condition in both industry segments, in terms of the Company as a whole and the divisions through which it operates, for the three most recent years follows.

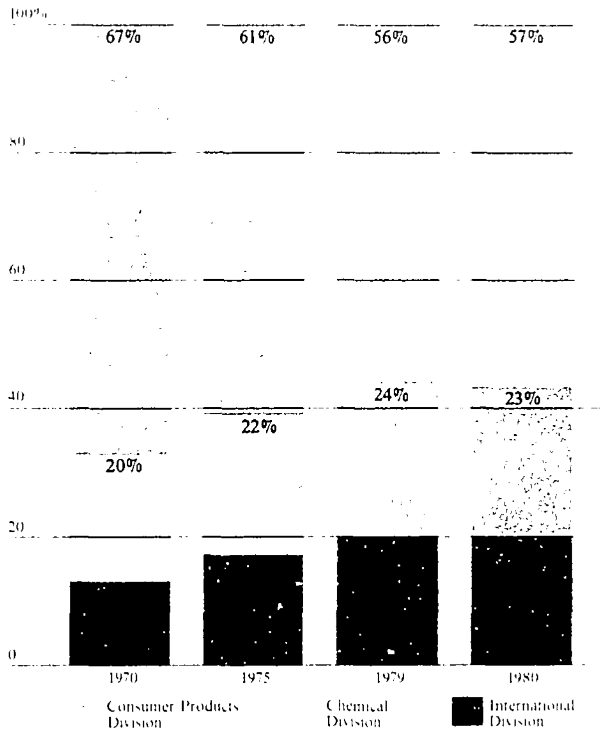
Liquidity and Capital Resources

Borden generates the majority of its working capital requirements from operations. The amounts provided from operations in 1980, 1979 and 1978 were $277.0 million, $256.7 million and $248.2 million, respectively. Short-term borrowings are utilized to meet temporary working capital requirements. It is expected that, pursuant to the Company's redeployment program, the disposal of operations which exhibit the greatest seasonal fluctuations in working capital requirements will reduce the need for short-term borrowings.

Borden has unused lines of credit for short-term financing needs of approximately $200.0 million at December 31, 1980. The interest cost approximates the prime rate in effect at the date of use.

In addition to funds provided from operations, approximately $82.6 million, net of working capital, was generated in 1980 through the sale of operations in connection with the Company's redeployment program. The Working Capital Ratio has been temporarily reduced in 1980 by the Company's redeployment program. Other current assets and income taxes payable increased due primarily to deferred taxes recorded in connection with redeployment. The majority of these amounts are expected to reverse in 1981. Other current liabilities have increased by approximately $38.0 million due to accrued losses for the expected disposal of operations.

Per Cent of Total Sales



In 1979 and 1978 long-term debt financing provided $110.8 million and $62.2 million, respectively. The 1979 long-term debt financing was principally attributable to the issuance of $150.0 million 9⅞% debentures. In 1978 $65.0 million of bank term loans, the proceeds of which were used to retire capital lease obligations, were incurred. The bank term loans were in turn retired using a portion of the proceeds from the 1979 $150.0 million debenture offering. At December 31, 1980 long-term debt was 28.4% of total capitalization. If required, management believes that additional long-term borrowings in excess of $150.0 million could be secured.

Capital expenditures for new facilities and improvements to existing facilities were $197.0, $177.7 and $167.0 million in 1980, 1979 and 1978 respectively. Beginning in 1980 and extending over the next five years the Company will undergo a $1.5 billion expansion program. This expansion program is expected to be funded primarily by operations and by the redeployment program.

Borden is actively engaged in complying with environmental protection laws, as well as the various federal and state statutes and regulations relating to the production, processing, distribution and labeling of its many products. In this connection Borden incurred approximately $5.9 million of capital expenditures as compared to $7.3 million in 1979 and $20.7 million in 1978. It is estimated that Borden will spend $6.6 million for environmental control facilities during 1981.

The Company purchased approximately 1.7 million shares of its common stock during 1980 at a total cost of $44.4 million. These treasury shares, and any additional which may be purchased in 1981, will be held for general corporate purposes, including possible future acquisitions.

Results of Operations

Each of Borden's operating divisions must deal with intense competition on both the local and national level. Advertising and promotion expenditures were increased $25.7 million to $174.5 million in 1980 from $148.8 million in 1979. This increase followed a $9.1 million increase in 1979 from the 1978 level of $139.7 million. Higher expenditures are expected in future years to preserve and expand Borden's market share.

Raw materials and supplies used in production are purchased from a broad range of sources. Natural gas, the feedstock for Borden's petrochemical complex, is the subject of supply contracts. A favorably priced gas contract with Texaco, Inc. which supplied a major portion of the company's gas requirements was terminated in 1980. Borden filed suit in Federal Court in Columbus, Ohio against Texaco, Inc. alleging an anticipatory breach of this gas supply agreement and violation of the anti-trust laws. Damages claimed are in excess of $200.0 million before trebling. Rights to another gas contract were sold in 1980. Contracts with respect to lesser amounts will expire in 1985. New gas supply contracts covering comparable gas requirements extending to 1990 have been negotiated. Borden's exploration program which was expanded during the year resulted in commercial discoveries in wildcat wells in five Louisiana gas fields. Since its inception the program has located about 75 billion cubic feet of natural gas. Proceeds from the company's redeployment program and funds provided by operations in the amount of $150.0 million will be used during the next five years to enable the replacement, with its own supplies, of progressively larger amounts of gas that is now provided under contract.

Borden's energy requirements are principally met by natural gas, fuel oil and electricity. An active program of conservation and capital improvements has been implemented to insure efficient use of energy. During the past three years fuel supplies were adequate for Borden's power and heating requirements. Based on information presently available, Borden will be able to meet its energy needs in 1981.

Research and development expenditures were $18.9 million in 1980, $18.1 million in 1979 and $16.4 million in 1978. The development and marketing of new food and chemical products is carried out at the divisional level and is integrated with quality controls for existing product lines. Increases in research and development are planned over the next several years.

Sales in 1980 increased 6.6% to a record $4.596 billion from 1979 sales of $4.313 billion, which had increased 13.4% from $3.803 billion in 1978. Net income increased 10.3% to $147.9 million from $134.0 million in 1979. Primary earnings per share increased 11.1% to $4.79 from $4.31. Fully diluted earnings per share were $4.58 compared with $4.12 in 1979. Net income in 1978 was 7.0% over the record level in 1977 and primary earnings per share were 7.6% over 1977. Earnings in 1980 reflect net foreign exchange losses of $7.3 million down from the 1979 amount of $15.0 million and the 1978 amount of $7.7 million. Earnings were also favorably affected by increased interest income due to a higher investment level which was made possible by proceeds from the redeployment program. Partially offsetting these favorable effects was increased interest expense which is principally attributable to generally higher rates and the full year effect of the 1979 $150.0 million debenture issue. Income taxes in 1980 were $95.3 million versus $85.9 million in 1979 and $84.3 million in 1978. The effective income tax rate was 39.2% in 1980, 39.1% in 1979 and 38.3% in 1978.

Operating income of the Consumer Products Division, which was formed following the consolidation of the former Foods Division and Dairy and Services Division, rose 4.8% to $110.7 million, from $105.6 million. Sales were $2.613 billion, up $210.0 million or 8.7% from $2.403 billion in 1979. The major factors contributing to the division's improvement were the packaged cheese, cheese substitutes, specialty, and dairy operations. Packaged cheese, cheese substitutes and dairy operations reported sharply higher sales, reflecting higher prices, and moderately higher volume. Specialty operations benefited from record sales of Creamette pasta, Cracker Jack candied popcorn, and Borden candies. The division's sugar refining operations were sold in September. The division's sales and operating income improved in 1979 versus 1978 reflecting cost induced higher selling prices, acquisitions and slightly greater volume. These increases offset steadily rising costs and the erosion of margins in highly competitive markets.

The Chemical Division's 1980 operating income declined $3.5 million to $113.1 million, from $116.6 million. Sales increased 1.7%, to $1.037 billion from $1.020 billion. The decline in operating income reflects a reduced overall volume in continuing operations. The division's wallcovering and packaging film operations had an improved year, but petrochemical operations and related downstream facilities were affected by sharply reduced demand for urea/formaldehyde and PVC-based products by the housing and automotive markets. A strong improvement in vinyl wall coverings along with, but to a lesser extent, consumer glue and Krylon paints partially offset the decline in operating income. The total results for household chemical products were below those a year earlier primarily because of dispositions. The Mystik tape, Lustro-ware plastic housewares, and Sterling plastic desk accessories operations were sold in October while the Company's phosphate operations were sold in July. The Chemical Division's 1979 sales and operating income increased from 1978. The sales increase was due to generally higher unit

volume and some price increases. Strong demand and pricing in 1978 resulted in increased operating income versus 1977.

The International Division's operating income increased 23.4% to $81.5 million from $66.0 million. Sales increased 6.3% to $945.9 million, from $890.0 million. Led by strong performances by the food and chemical operations in Europe and the chemical operations in Brazil and Australia, all geographic groups improved their results from a year earlier. Export sales declined, owing to the drop in shipments of agricultural chemicals following the sale of the Florida phosphate properties in early July. During 1980 the Company disposed of its Canadian dairy operations which adversely affected the division's sales but favorably affected operating income. Also, favorably affecting operating income was a reduction in foreign exchange losses from 1979 which included a major devaluation of the Brazilian cruzeiro. Excluding the effect of foreign exchange losses the division had higher sales and operating income for 1979 as compared to 1978.

Inflation

The high rate of inflation experienced worldwide has had an impact on the Company's reported earnings, shareholders' equity and other financial information which is not measured by traditional accounting methods. Pages 40 through 42 present the Financial Accounting Standards Board's method of estimating and evaluating the effects of inflation as published in their Standard No. 33.

Business Segments

Borden, Inc., as discussed on the previous pages, operates in two major industry segments: foods and chemical. Corporate departments provide certain centralized services for the corporation and all operating units. The Company's

BUSINESS SEGMENTS

	(In Thousands)			
	Years ended December 31	1980	1979	1978
NET SALES	Foods	$3,048,089	$2,858,746	$2,548,936
	Chemical	1,547,706	1,453,787	1,253,623
	Total	$4,595,795	$4,312,533	$3,802,559
OPERATING PROFIT	Foods	$ 141,693	$ 129,942	$ 141,740
	Chemical	177,076	170,409	151,835
	Total segment	318,769	300,351	293,575
	Redeployment	(2,748)	—	—
	General corporate expenses	(15,293)	(25,427)	(25,983)
	Interest expense	(57,565)	(55,009)	(47,465)
	Earnings before income taxes	$ 243,163	$ 219,915	$ 220,127
IDENTIFIABLE ASSETS	Foods	$1,201,472	$1,260,767	$1,134,028
	Chemical	966,181	1,101,292	966,045
	Total segment	2,167,653	2,362,059	2,100,073
	Corporate assets	475,641	100,701	65,665
	Total	$2,643,294	$2,462,760	$2,165,738
DEPRECIATION, DEPLETION, AND AMORTIZATION	Foods	$ 48,777	$ 48,001	$ 42,201
	Chemical	48,873	50,380	43,089
CAPITAL EXPENDITURES	Foods	$ 64,138	$ 55,208	$ 75,563
	Chemical	126,506	118,262	88,637
FOREIGN OPERATIONS	Net sales	$ 870,684	$ 813,041	$ 677,017
	Operating profit	$ 62,075	$ 50,828	$ 61,318
	Identifiable assets	$ 609,729	$ 574,587	$ 520,834

general offices are located in Columbus, Ohio and its executive offices in New York City. Production facilities are located throughout the United States and in many foreign countries. The Company considers that its operating properties are generally well maintained, and effectively utilized.

The foods segment encompasses the following: The Consumer Products Division, including in its product lines — cheese, non-dairy creamer, reconstituted lemon and lime juice, dehydrated potatoes, instant coffee, sweetened condensed milk, snack foods and cakes, confections, powdered soft drinks, jams and jellies, pasta, seafood, homogenized milk, buttermilk, chocolate drink, ice cream and milks, sherbets, yogurt, cottage cheese, frozen novelties, dips, egg nog, sour cream, low-fat dairy products, milk-based products for the industrial trade, fruit drinks and bottled carbonated soft drinks; and the International Division's food products processed in domestic plants but exported outside the United States, and food and dairy products processed in overseas plants. As of December 31, 1980 the Consumer Products Division operated 97 manufacturing and processing facilities, the most significant being the Wisconsin cheese facilities (including the commodity aspect of the cheese operations which is part of the redeployment program), the Illinois powdered soft drink operations, the snack group operations in Pennsylvania, Florida, Missouri, Texas, and Ohio, the confectionery operations located principally in Illinois, the bakery operations in New Jersey, and the dairy facilities, all of which are approximately the same size, located principally in the midwest, south, and southwest; and the International Division operated 23 food and dairy manufacturing and processing facilities located principally in Brazil, Western Europe and Puerto Rico.

Included within the chemical segment are the Chemical Division and chemical related products of the International Division produced both domestically and overseas. This segment is a major producer of basic petrochemicals and thermoplastics including polyvinyl acetate, PVC latex and resins, formaldehyde, methanol, ammonia, urea and acetic acid. It also produces synthetic adhesives for plywood products, agricultural fertilizers and chemicals, transparent wrapping film, printing inks, vinyl wall coverings, glue, spray paint, and clothing. As of December 31, 1980 the Chemical Division operated 58 manufacturing and processing facilities, the most significant being the Division's petrochemical complex in Louisiana, the agricultural operations in Virginia (which are part of the redeployment program), and the thermoplastics and Resinite operations in Massachusetts and Illinois; and the International Division operated 42 chemical manufacturing and processing facilities located principally in Brazil and Western Europe.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food processors, institutions and governmental agencies. The chemical segment products are sold throughout the United States to industrial users and, in the case of consumer products, by an in-house and independent sales force to distributors, wholesalers, jobbers and dealers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, governmental policy toward industry and foreign investment and other factors vary substantially from country to country for both industry segments.

Segment operating profit as shown on the preceding page is total revenue less operating expenses. In computing segment operating profit none of the following items has been deducted from revenues: general corporate expenses, interest expense and federal, state and local income taxes. Division operating income appearing on page 24 differs from segment operating profit due primarily to the responsibility which the divisions assume for state and local income taxes. Minority interests in earnings of certain subsidiaries and the Company's equity in earnings of unconsolidated 20% to 50% owned companies were immaterial and have been included in segment operating profit.

Identifiable assets by segment are those assets that are used in the segments' operations. Corporate assets are principally cash, cash items and assets of redeployed operations.

Five-Year Selected Financial Data

BORDEN, INC.

(All dollar and share figures in thousands—except market price and per share statistics)

Summary of Earnings	1980	1979	1978	1977	1976
Net sales	$4,595,795	$4,312,533	$3,802,559	$3,481,278	$3,381,075
Income taxes	95,300	85,900	84,300	93,400	91,200
Net income	147,863	134,015	135,827	126,908	112,567
Percent of net income to sales	3.2%	3.1%	3.6%	3.6%	3.3%
Net income per common share and equivalents:					
Primary	$ 4.79	$ 4.31	$ 4.38	$ 4.07	$ 3.63
Fully diluted	4.58	4.12	4.19	3.89	3.47
Dividends:					
Common share	$ 1.88	$ 1.79½	$ 1.68	$ 1.52	$ 1.35
Preferred series B share	1.32	1.32	1.32	1.32	1.32
Average number of common shares and equivalents assumed outstanding during the year for calculation of:					
Primary earnings per share	30,889	31,123	31,018	31,190	30,998
Fully diluted earnings per share	32,708	32,971	32,873	33,127	32,991
Financial statistics					
Capital expenditures	$ 196,951	$ 177,723	$ 167,003	$ 156,876	$ 156,148
Inventories	506,017	542,073	507,461	464,117	434,184
Property, plant and equipment, net	990,321	990,146	882,234	784,769	710,318
Depreciation, depletion and amortization	100,322	100,777	87,486	78,099	72,033
Total assets	2,643,294	2,462,760	2,165,738	1,989,659	1,899,476
Current assets	1,356,432	1,179,826	1,066,489	1,006,780	998,449
Current liabilities	774,917	601,834	539,315	481,579	477,286
Working capital	581,515	577,992	527,174	525,201	521,163
Current ratio	1.8:1	2.0:1	2.0:1	2.1:1	2.1:1
Long-term debt	490,201	538,613	439,543	395,412	404,636
Debt-to-equity percent	40%	45%	41%	39%	43%
Shareholders' equity	1,234,935	1,185,075	1,072,194	1,022,154	935,338
Liquidating value of preferred stock	(1,138)	(1,575)	(1,695)	(2,079)	(4,716)
Common shareholders' equity	1,233,797	1,183,500	1,070,499	1,020,075	930,622
Equity per common share at year-end	$41.57	$37.98	$35.81	$32.79	$30.25
Return on average shareholders' equity	12.2%	11.9%	13.0%	13.0%	12.5%
Shareholders' Data					
Outstanding shares at year-end:					
Common	29,681	31,160	29,895	31,105	30,760
Preferred series B	39	55	59	72	163
Market price of common stock:					
At year-end	$ 25¼	$ 23⅞	$ 25½	$ 30⅝	$ 34
Range during year	27⅞-19⅝	27⅞-23⅞	25¼-31⅛	29⅛-36⅛	26-34
Number of common shareholders	59,562	61,632	62,743	63,584	65,359
Employees' Data					
Payroll	$ 584,500	$ 552,000	$ 518,000	$ 472,000	$ 459,500
Average number of employees	38,400	39,300	39,600	38,100	40,400

Consolidated Statements of Income

BORDEN, INC.

(In thousands except per share data)		Year Ended December 31 1980	1979	1978
Revenue	Net sales	$4,595,795	$4,312,533	$3,802,559
Costs and Expenses	Cost of goods sold	3,753,353	3,537,006	3,086,397
	Marketing, general and administrative expenses	549,577	501,892	454,170
	Interest income, eq.ity in income of affiliates, royalties, and other, net	(10,611)	(1,289)	(5,600)
	Interest expense	57,565	55,009	47,465
	Redeployment	2,748	—	—
	Income taxes	95,300	85,900	84,300
		4,447,932	4,178,518	3,666,732
Earnings	Net income	$ 147,863	$ 134,015	$ 135,827

Share Data	Net income per share:			
	Primary	$ 4.79	$ 4.31	$ 4.38
	Fully diluted	4.58	4.12	4.19
	Cash dividends per common share	1.88	1.79½	1.68
	Average number of common shares and equivalents assumed outstanding during the year	30,889	31,123	31,018

See accompanying Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

BORDEN, INC.

(In thousands)		1980	1979	1978
		Year Ended December 31		
Financial Resources Provided	Operations:			
	Net income	$ 147,863	$ 134,015	$ 135,827
	Depreciation, depletion and amortization	100,322	100,777	87,486
	Other non-working capital items including amortization of intangible assets and write-downs of fixed assets included in redeployment to estimated net realizable value, net	25,523	2,154	5,368
	Deferred income taxes	3,300	19,800	19,500
	Total provided from operations	277,008	256,746	248,181
	Divestitures of businesses pursuant to redeployment, net of working capital	82,595	—	—
	Long-term debt financing (net of long-term refinancing of $65,000 and $50,208 in 1979 and 1978, respectively)	16,933	110,783	62,207
	Property disposals	8,834	19,455	13,378
	Issuance of stock in connection with acquisitions	4,244	40,454	4,506
		389,614	427,438	328,272
Financial Resources Applied	Capital expenditures	196,951	177,723	167,003
	Reduction in long-term debt	59,725	22,148	25,472
	Cash dividends	57,976	55,437	52,068
	Purchase of treasury stock	44,369	7,609	39,717
	Increase (decrease) in long-term investments	14,163	24,454	(603)
	Purchases of businesses, net of working capital acquired	12,662	89,028	41,917
	Other changes in non-current assets and liabilities	245	221	725
		386,091	376,620	326,299
	Increase in Working Capital	$ 3,523	$ 50,818	$ 1,973
Working Capital	Details of increase (decrease) in working capital:			
	Cash (including time and certificates of deposit)	$ 160,049	$ 22,868	$ (53,989)
	Accounts receivable	9,160	52,644	78,138
	Inventories	(36,056)	34,612	43,344
	Other current assets	43,453	3,213	(7,784)
	Debt payable within one year	(23,806)	(7,410)	(12,565)
	Accounts and drafts payable	10,562	(43,757)	(52,355)
	Income taxes	(54,429)	2,297	14,620
	Other current liabilities	(105,410)	(13,649)	(7,436)
	Increase in Working Capital	$ 3,523	$ 50,818	$ 1,973

See accompanying Notes to Consolidated Financial Statements

Consolidated Balance Sheets

BORDEN, INC.

(In thousands except share and per share data)

ASSETS		December 31 1980	December 31 1979*
Current Assets	Cash (including time and certificates of deposit of $181,512 and $18,241, respectively)	$ 264,171	$ 104,122
	Accounts receivable (less allowance for doubtful accounts—$10,006 and $10,100, respectively)	499,547	490,387
	Inventories:		
	Finished and in process goods	338,271	358,211
	Raw materials and supplies	167,746	183,862
	Other current assets	86,697	43,244
		1,356,432	1,179,826
Investments and Other Assets	Investments in and advances to affiliated companies (at cost plus equity in undistributed income)	44,429	42,620
	Miscellaneous investments and receivables (at cost or less)	33,100	16,118
	Other assets	26,040	25,076
		103,569	83,814
Property and Equipment	Land	45,915	61,678
	Buildings	337,915	337,465
	Machinery and equipment	1,328,103	1,288,217
		1,711,933	1,687,360
	Less accumulated depreciation	(721,612)	(697,214)
		990,321	990,146
Intangibles	Intangibles resulting from business acquisitions	192,972	208,974
		$2,643,294	$2,462,760

*Reclassified to conform with 1980 presentation

See accompanying Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

		December 31 1980	December 31 1979
Current Liabilities	Debt payable within one year	$ 114,620	$ 90,814
	Accounts and drafts payable	346,431	356,993
	Income taxes	79,317	24,888
	Other current liabilities	234,549	129,139
		774,917	601,834
Other	Long-term debt	490,201	538,613
	Deferred income taxes	124,755	121,455
	Other long-term liabilities	10,618	6,136
	Minority interests in consolidated subsidiaries	7,868	9,647
		633,442	675,851
Shareholders' Equity	Capital Stock:		
	Preferred stock—no par value		
	Authorized 10,000,000 shares		
	Issued series B convertible—39,407 shares and 54,553 shares, respectively (involuntary liquidating value of $1,138 or $28.88 per share at December 31, 1980)	163	225
	Common stock—$3.75 par value		
	Authorized 60,000,000 shares		
	Issued 31,370,680 and 31,159,878 shares, respectively	117,640	116,850
	Paid in capital	197,172	193,558
	Retained earnings	964,329	874,442
		1,279,304	1,185,075
	Less common stock in treasury (at cost)—1,689,685 shares	(44,369)	—
		1,234,935	1,185,075
		$2,643,294	$2,462,760

Consolidated Statements of Shareholders' Equity

BORDEN, INC.

(In thousands) For the Three Years Ended December 31, 1980

	CAPITAL STOCK ISSUED				
	Preferred Series B	Common	Paid-In Capital	Retained Earnings	Treasury Stock
Balance, December 31, 1977	$ 297	$116,645	$193,108	$712,104	$ —
Net income				135,827	
Cash dividends:					
Common stock				(51,977)	
Preferred series B				(90)	
Stock reacquired for acquisitions and treasury					(39,716)
Preferred series B stock converted	(55)		(381)		436
Common stock issued for exercised stock options		7	38		
Stock issued under Management Incentive Plan					7
Treasury stock issued for exercise of stock options			(450)		1,876
Treasury stock issued for acquisition of businesses			12		4,506
Balance, December 31, 1978	242	116,652	192,327	795,864	(32,891)
Net income				134,015	
Cash dividends:					
Common stock				(55,364)	
Preferred series B				(73)	
Stock reacquired for acquisitions and treasury					(7,609)
Preferred series B stock converted	(17)	11	(40)		46
Common stock issued for exercised stock options		38	170		
Stock issued under Management Incentive Plan		1	6		1
Treasury stock issued for acquisition of businesses					40,453
5% Convertible Debentures converted		148	1,095		
Balance, December 31, 1979	225	116,850	193,558	874,442	—
Net income				147,863	
Cash dividends:					
Common stock				(57,918)	
Preferred series B				(58)	
Stock reacquired for acquisitions and treasury					(44,369)
Preferred series B stock converted	(62)	62			
Common stock issued for acquisition of businesses		711	3,533		
Common stock issued for exercised stock options		12	62		
Stock issued under Management Incentive Plan		2	7		
Common stock issued for stock appreciation rights		3	10		
6¾% Convertible Debentures converted			2		
Balance, December 31, 1980	$ 163	$117,640	$197,172	$964,329	$(44,369)

See accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(In thousands except share and per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The Consolidated financial statements include the accounts of Borden, Inc. and all subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Intangibles — The excess cost of investments over net tangible assets of businesses acquired is carried as Intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October, 1970 are being amortized on a straight-line basis over a forty-year period.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined generally using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on the estimated useful lives of the properties (average rates for buildings—3%; machinery and equipment—7%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains or losses from normal retirements and disposals are credited or charged to accumulated depreciation, while gains and losses from other retirements and disposals are credited or charged to income.

The Company leases certain property and equipment (primarily buildings and transportation equipment) under operating and capital leases as defined by the Financial Accounting Standards Board in their Statement No. 13. Property and equipment, meeting the definition of capital leases, are capitalized and accounted for accordingly, with the corresponding obligations carried as a liability. All other lease agreements are classified and accounted for as operating leases with payments expensed as incurred.

Income Taxes—The provision for income taxes includes federal, foreign and state and local taxes currently payable and deferred taxes arising from timing differences between income for financial statements and income tax purposes. These timing differences for 1980 result from tax deductions to be realized primarily in 1981 with respect to the company's redeployment program discussed in Note 11 and the gas transaction discussed in Note 3, offset in part by additional deductions available through the use of accelerated write-offs of property and equipment costs. In 1979 and 1978 the difference was limited to accelerated write-offs of property and equipment costs, which were comparable with the 1980 amount.

Investment tax credits are applied as reductions of income taxes in the year realized.

Pension Plans—Substantially all of the Company's employees in the United States and Canada are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expenses for the Company's plans, determined for domestic employees in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974, comprise current service costs and amortization of prior service costs, effectively, over a thirty year period. It is the Company's policy to fund pension costs accrued for qualified plans.

Development and Promotion Expenses— Research and development expenditures are expensed as incurred as are advertising and promotion expenditures.

Earnings Per Share — Primary earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents (Convertible Preferred Stock and Stock Options) assumed outstanding during the year of computation.

Fully diluted earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents assumed outstanding during the year, as if the Convertible Debentures had been converted at the beginning of the period and after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

(In thousands except share and per share data)

2. FOREIGN AFFILIATES

After translation into United States dollars, the Company's proportionate share of net assets of foreign affiliates included in the consolidated financial statements was $309,000 at December 31, 1980 compared to $280,000 at December 31, 1979.

Realized and unrealized net foreign exchange losses aggregating $7,300, $15,000 and $7,700 were charged against net income in 1980, 1979, and 1978, respectively.

3. DEBT, LEASE OBLIGATIONS AND COMMITMENTS

Debt outstanding at December 31, 1980 and 1979 is as follows:

	1980		1979	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Sinking Fund Debentures:				
2⅞% due 1981		$ 25,000	$ 25,000	
4⅜% due 1991	$ 20,000	3,852	22,000	$ 2,874
5¾% due 1997	60,000	3,750	63,750	3,750
8½% due 2004	100,000		100,000	
9⅜% due 2009	150,000		150,000	
Debentures repurchased	(9,386)	(5,319)	(9,496)	(3,811)
Promissory Notes:				
9% due 1989	5,441	448	5,889	911
8¼% due 1985 in Swiss Francs	14,561	3,640	18,831	
7⅝% due 1986 in Swiss Francs	11,567		12,554	
Other borrowings (at an average rate of 11.2% and 10.2%, respectively)	79,250	16,548	89,151	11,982
Convertible Debentures,				
6¾% due 1991	29,186		29,188	
5% due 1992	25,216		25,216	
Capitalized Leases (at an average rate of 6.8% and 7.2%, respectively)	4,366	1,066	6,530	1,417
CURRENT MATURITIES OF LONG-TERM DEBT		48,985		17,123
Foreign Bank Loans (at average rates of 28.3% and 19.8%, respectively)		65,635		73,691
TOTAL DEBT	$490,201	$114,620	$538,613	$ 90,814

The 6¾% Convertible Debentures (Eurodollar obligations) are convertible into Common Shares of Borden, Inc. at $28.75 a share and are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the face amount plus annually decreasing premiums to 1986.

The 5% Convertible Debentures (Eurodollar obligations) are convertible into Common Shares of Borden, Inc. at $31.50 a share and are redeemable at the Company's option except in certain defined circumstances. The redemption price will be equal to the face amount plus annually decreasing premiums to 1987.

Aggregate maturities of long-term debt and minimum annual rentals under agreements classified and accounted for as operating leases at December 31, 1980 are as follows:

	Long-Term Debt**	Minimum Rentals on Operating Leases
1981	$ 48,985	$15,595
1982	21,391	12,605
1983	39,889	9,556
1984	14,176	7,312
1985	36,295	5,859
1986 and beyond*	378,450	13,480

*Figures represent combined totals for all years
**Net of debentures repurchased

Average short-term debt, consisting of foreign bank loans and commercial paper, amounted to $97,900 and $99,800 during 1980 and 1979, respectively with corresponding weighted average interest rates of 17.4% and 15.2%. Maximum month-end short-term debt was $145,400 and $150,000 in 1980 and 1979, respectively. Commercial paper issued and redeemed during 1980 was sold on the open market in the U.S. through a money market dealer.

The Company has unused lines of credit for short-term financing needs, aggregating approximately $200,000 at December 31, 1980 with interest rates approximating the prime rate in effect at date of use.

The Company was guarantor of loans aggregating approximately $30,000 at December 31, 1980.

Pursuant to the arrangements covering the above lines of credit, and certain loan guarantees, the Company has agreed to maintain minimum average cash balances aggregating approximately $9,000 with various commercial banks. These requirements are satisfied by balances maintained for normal business needs.

(In thousands except share and per share data)

In accordance with Financial Accounting Standard No. 34 the Company has capitalized interest that relates to the capital cost of acquiring certain fixed assets. For the year ended December 31, 1980, the Company incurred $68,183 in interest costs of which $10,618 has been capitalized. For 1979 corresponding amounts were $61,445 and $6,436, respectively. During 1978 the company was not required to capitalize interest.

In December, 1980 the Company contracted for a portion of its 1981 natural gas requirements on a take-or-pay basis. In connection with this contract the Company sold its rights to a comparable amount of gas for $57,500. The proceeds from the sale have been recorded in Other Current Liabilities to be amortized against the take-or-pay contract in 1981.

4. INCOME TAXES

Comparative analyses of the provisions for income taxes follows:

	1980	1979	1978
Currently Payable			
United States	$102,200	$ 49,700	$ 42,600
State and Local	18,200	8,900	10,200
Foreign	14,900	7,500	12,000
	135,300	66,100	64,800
Deferred			
United States	(33,800)	17,800	14,000
State and Local	(5,100)	2,200	1,600
Foreign	(1,100)	(200)	3,900
	(40,000)*	19,800	19,500
	$ 95,300	$85,900	$ 84,300

*Includes future tax benefits of $43,300 classified as Other Current Assets

Reconciliations of the difference between the U.S. statutory tax rates and consolidated effective book income tax rates are as follows:

	1980	1979	1978
U.S. statutory tax rate	46.0%	46.0%	48.0%
State tax provision, net of federal benefit	2.9	2.7	2.8
Investment tax credit	(4.3)	(3.2)	(7.2)
Foreign tax benefits	(2.3)	(3.8)	(3.9)
Redeployment program	(2.0)		
Other—net	(1.1)	(2.6)	(1.4)
Effective book income tax rate	39.2%	39.1%	38.3%

At December 31, 1980, the cumulative amount of undistributed earnings of the foreign subsidiaries and DISC aggregated approximately $210,000. A substantial portion of these earnings have been reinvested and are not expected to be remitted to the parent company. Accordingly, no additional United States income taxes have been provided on such earnings.

The domestic and foreign components of income before income tax expense are as follows:

	1980	1979	1978
Domestic	$210,099	$190,224	$169,063
Foreign	33,064	29,691	51,064
	$243,163	$219,915	$220,127

Foreign income before income taxes differs from division operating income as shown on page 24 of this report because the International Division's operating income includes export operations and because operating income has not been reduced for interest expense.

5. PENSION PLANS

The charges to operations under the Company's United States and Canadian pension plans were $18,800 in 1980, $16,500 in 1979, and $15,600 in 1978. The actuarial present value of vested and non-vested accumulated benefits as of January 1, 1980 was $270,164 and $13,423, respectively. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6%. The plans' net assets available for benefits measured at estimated fair value as of January 1, 1980 were $196,508.

Operations were charged approximately $6,700 in 1980, $6,700 in 1979 and $6,200 in 1978 primarily for payments to pension trusts on behalf of employees not covered by the Company's plans. Most domestic employees not covered by the Company's plans are covered by collectively bargained plans. The Company's collective bargaining agreements are generally effective for periods of from one to three years. Under a 1980 amendment to the federal pension law there would be continuing liability to these pension trusts were the Company to cease all or most participation in any such Trust, and under certain other conditions as specified by this law. The annual payment of such continuing liability would not normally exceed the annual amount currently being paid to such Trust. The amount of such liability would be determined after the Company withdraws from participation.

6. SHAREHOLDERS' EQUITY

Each of the 39,407 shares of Preferred Stock — Series B, bears an annual cumulative dividend of $1.32, is convertible into 1.1 common shares, and is presently redeemable at the Company's option at $39.

As of January 1, 1980, 686,214 shares of Common Stock of the Company were reserved for unexercised stock options at prices ranging from $19.44 to $32.75 per share. During 1980, options for 147,650 shares were granted at $25.38 per share and options for 134,295 shares expired or were cancelled. Options for 7,850 shares were exercised at prices ranging from $19.44 to $23.00 per share, leaving 691,719 shares reserved for unexercised options at prices ranging from $19.44 per share to $32.75 per share as of December 31, 1980. Included with the shares reserved for

(In thousands except share and per share data)

unexercised options are 249,264 options with stock appreciation rights attached, which permit the holder the election, in lieu of exercising the option, of receiving cash, shares or a combination of cash and shares. During 1980 6,350 stock appreciation rights were exercised with the holder receiving cash. In addition, there were 434,656 shares available for future grants at that date.

At December 31, 1980, 43,348 shares were reserved for conversion of Preferred Stock — Series B. In addition, 1,815,687 shares were reserved for issuance upon conversion of the 6¾% and 5% Convertible Debentures discussed in Note 3, and 79,462 shares were reserved pursuant to the Management Incentive Plan.

7. OPERATIONS BY INDUSTRY SEGMENT

Information about the Company's industry segments and geographic areas of operation is provided on pages 27 and 28 of this Annual Report and is an integral part of these financial statements.

8. SUPPLEMENTAL INCOME STATEMENT INFORMATION

Set forth below is a comparative summary of certain expense items:

	1980	1979	1978
Maintenance and repairs	$113,450	$118,731	$105,452
Depreciation, depletion and amortization	100,322	100,777	87,486
Taxes other than income taxes	72,208	69,511	64,633
Advertising and promotion, including promotions of $111,932, $96,135 and $83,573, respectively	174,501	148,832	139,729
Research and development	18,902	18,112	16,413

9. EARNINGS PER SHARE

The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1980	1979	1978
Common Shares	30,841,391	31,014,400	30,850,105
Convertible Preferred Series B	43,348	60,008	74,057
Stock options and incentive compensation	4,481	48,701	93,896
Total for primary calculation	30,889,220	31,123,109	31,018,058
Convertible Debentures:			
6¾%	1,015,233	1,015,239	1,015,239
5%	800,517	832,914	839,975
Stock options	2,654		
Total for fully diluted calculation	32,707,624	32,971,262	32,873,272

10. QUARTERLY FINANCIAL DATA (UNAUDITED)

	1980 Quarters			
	First	Second	Third	Fourth
Net Sales	$1,070,148	$1,276,274	$1,145,485	$1,103,888
Gross Profit	$ 191,576	$ 230,011	$ 209,639	$ 211,215
Net Income	$ 30,652	$ 39,680	$ 43,639	$ 33,892
Per Share of Common Stock:				
Primary	$ .98	$ 1.27	$ 1.40	$ 1.14
Fully Diluted	$ .94	$ 1.21	$ 1.34	$ 1.09
Dividends*	$ .455	$ .475	$ .475	$ .475
Market Price Range:				
High	$ 24¾	$ 26⅛	$ 27⅞	$ 27⅝
Low	20	19⅝	24⅝	23⅞

*Dividends on Preferred Stock — Series B were $.33 in each quarter during 1980.

	1979 Quarters			
	First	Second	Third	Fourth
Net Sales	$ 952,212	$1,119,734	$1,094,501	$1,146,086
Gross Profit	$ 167,140	$ 201,439	$ 206,479	$ 200,469
Net Income	$ 28,921	$ 36,887	$ 38,897	$ 29,310
Per Share of Common Stock:				
Primary	$ .94	$ 1.18	$ 1.25	$ .94
Fully Diluted	$ .90	$ 1.12	$ 1.19	$ .91
Dividends*	$ .43	$ .455	$ .455	$ .455
Market Price Range:				
High	$ 27	$ 27⅞	$ 26¾	$ 27⅝
Low	24⅞	24¼	24⅝	23⅞

*Dividends on Preferred Stock — Series B were $.33 in each quarter during 1979.

11. REDEPLOYMENT

On July 10, 1980 a major restructuring of the Company was announced. As part of this restructuring the Company has disposed of several operations, and the disposal of additional operations is underway. The principal operation sold during 1980 was the Company's Florida phosphate properties. In addition, the Mystik Tape, Sterling Plastics, Lustro-ware and sugar refining operations were sold. Several dairy operations were also closed. The disposal of the Company's retail fertilizer business, the commodity aspect of the cheese business and several smaller operations is underway and expected to be completed in 1981. The tax benefits relative to redeployment are attributable to capital gain rates and to tax benefits realized in connection with the shutdown of domestic and foreign dairy and other operations. The sales and operating income attributable to the operations included in the redeployment program for 1980 were approximately $750,000 and $45,000, respectively; for 1979 were $850,000 and $25,000, and for 1978 were $775,000 and $30,000, respectively. Total sales price for operations agreed in 1980 to be sold was approximately $275,000.

BORDEN INC

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REPORT OF MANAGEMENT

The management of Borden, Inc. is responsible for the preparation and the integrity of all information included in this report. The financial statements, which necessarily include amounts based upon the judgments of management, have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances and have been consistently applied.

The Company in order to meet its responsibilities has established and supports internal accounting control systems which are designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorizations and that those transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company's internal accounting control system is regularly reviewed for effectiveness, monitored by an internal audit department and implemented by well trained and qualified personnel. In addition, the Company has distributed to all key employees its policies for conducting business affairs lawfully and in an ethical manner.

Management recognizes that no internal accounting control system that properly weighs benefits against costs will preclude absolutely all errors and irregularities. It believes, however, that the Company's internal accounting control system provides reasonable assurance that any material errors and irregularities are prevented or would be detected and corrected within a timely period by employees in the normal course of performing their assigned duties.

The Board of Directors, through its Audit Committee consisting of non-employee directors, meets periodically with management, the Company's internal auditors and its independent accountants to discuss audit and financial reporting matters. Both the independent accountants and the Company's internal auditors have free access to the Audit Committee and the Board of Directors, without management present to discuss internal accounting control, auditing, and financial reporting matters.

REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co.

[illegible] EAST [illegible] STREET NEW YORK, NEW YORK 10022 212 371 2000

February 24, 1981

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1980 and 1979, the results of their operations and the changes in financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Supplemental Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

INTRODUCTION

In recent years inflation has become an increasingly significant factor in the economic life of the United States. Generally the Company has been able to compensate for cost increases by increasing sales prices in an amount sufficient to maintain an approximately constant gross profit percentage. Customary financial statements have been stated at historical or actual costs and have not attempted to reflect inflation. In an effort to produce financial information that discloses the effects of inflation the Financial Accounting Standards Board (FASB) has issued Statement No. 33, Financial Reporting and Changing Prices, requiring companies to explain the effect of inflationary factors on operations using two different methods to adjust historical financial statements for the effects of changing prices.

The first method, constant dollar, adjusts certain elements of the basic, historical financial statements for the effects of general inflation. The Consumer Price Index for all Urban Consumers (CPI-U) is used to make adjustments. The CPI-U is an index measuring the living costs of the average American family, including housing, fuel costs and transportation and interest. There can be no assurance that the results obtained will reflect the effects of inflation on an individual industrial company.

The second method, current cost, adjusts the basic historical financial statements for price changes of specific assets. Current cost identifies certain assets or expenses with the use or sale of products in terms of what their current cost would have been when they were used or sold rather than what their historical cost actually was. Generally, Borden's inventories, plants, and equipment would cost more to replace than when they were originally acquired. This concept is specifically applied to each businesses' methods of operation, products, and types and locations of assets, but it unrealistically assumes that the same types of property, plant, and equipment would be purchased.

Both methods used for reporting inflationary effects require the use of assumptions, approximations and estimates. Inflation adjustments will vary among companies because of different effects of inflation as well as different methods of accounting used in the historical financial statements. This inflation adjusted data is, therefore, not a precise indicator of inflationary effects primarily because the methods utilized do not necessarily provide actual amounts for which assets could be sold, cost which would be incurred in the future, or the manner in which actual replacement of assets would occur.

Supplementary information on both a current cost and constant dollar basis is shown below:

STATEMENT OF INCOME FROM CONTINUING OPERATIONS ADJUSTED FOR CHANGING PRICES

(In thousands except per share data) Year Ended December 31, 1980

	As Reported in the Primary Statements	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Costs)
Net sales	$4,595,795	$4,595,795	$4,595,795
Cost of goods sold (excluding related depreciation expense)	3,673,507	3,731,653	3,710,616
Other operating expenses (excluding related depreciation expense)	521,238	521,238	521,238
Depreciation expense	100,322	165,946	175,941
Interest expense	57,565	57,565	57,565
Earnings before income taxes	243,163	119,393	130,435
Income taxes	95,300	95,300	95,300
Income from continuing operations	$ 147,863	24,093	35,135
Gain on net monetary items		72,908	72,908
Earnings, net of general inflationary effects		$ 97,001	$ 108,043
Increase in current cost of inventories and property plant and equipment			$ 357,762
Less effect of increase in general price level			284,044
Excess of increase in specific prices over the increase in the general price level			$ 73,718
Net income per common share	$ 4.79	$ 78	$ 1.14
Gain on net monetary items		2.36	2.36
Earnings, net of general inflationary effects		$ 3.14	$ 3.50
Effective tax rate	39.2%	79.8%	73.1%

At December 31, 1980 the current cost of inventory was $515,149 and the current cost of net property and equipment was $1,867,674

STATEMENT OF INCOME FROM CONTINUING OPERATIONS ADJUSTED FOR CHANGING PRICES

(In thousands except per share data) Year Ended December 31, 1979

	As Reported in the Primary Statements	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Costs)
Net sales	$4,312,533	$4,312,533	$4,312,533
Cost of goods sold (excluding related depreciation expense)	3,456,366	3,506,240	3,477,111
Other operating expenses (excluding related depreciation expense)	480,466	480,466	480,466
Depreciation expense	100,777	157,312	163,238
Interest expense	55,009	55,009	55,009
Earnings before income taxes	219,915	113,506	136,709
Income taxes	85,900	85,900	85,900
Income from continuing operations	$ 134,015	27,606	50,809
Gain on net monetary items		73,437	$ 73,437
Earnings, net of general inflationary effects		$ 101,043	$ 124,246
Increase in current cost of inventories and property plant and equipment			$ 333,464
Less effect of increase in general price level			276,617
Excess of increase in specific prices over the increase in the general price level			$ 56,847
Net income per common share	$ 4.31	$ .89	$ 1.63
Gain on net monetary items		2.36	2.36
Earnings, net of general inflationary effects		$ 3.25	$ 3.99
Effective tax rate	39.1%	75.7%	62.8%

At December 31, 1979 the current cost of inventory was $553,761 and the current cost of net property and equipment was $1,848,572

Discussion and Analysis of Supplemental Financial Data

Income from continuing operations derived under both the current cost and constant dollar methods has been adjusted only for depreciation expense and product costs related to restated property, plant and equipment and inventories. The increased depreciation expense under both methods is a result of the adjustment required to reflect the impact of inflation on assets which have relatively long lives. The increased values of current cost of goods sold over historic cost of goods sold is a result, primarily, of the increasing costs of raw materials and labor. The increase in current cost of goods sold was less than constant dollar cost of goods sold primarily because the CPI-U market basket does not equate to that of Borden and the specific rate of vendor price increases was not always as great as the general rate of inflation. Sales and all other costs and expenses remain unchanged from the primary statements since they are considered to occur relatively even throughout the year. In accordance with the FASB statement, income tax expense has not been restated in the inflation—adjusted earnings statements despite the significant reduction in pre-tax earnings. If the higher depreciation and other costs had actually been incurred, the company would have reported added tax deductions and tax credits, such as investment tax credit, which would significantly increase inflation adjusted net income.

Current cost amounts were determined by adjusting inventories and cost of goods sold to year-end and time of sale market values of raw materials and current production costs using average and standard costing, and indexing methods. Property, plant and equipment were adjusted to current cost primarily by applying indices developed both internally and externally. Depreciation was calculated using the same methods and depreciable life assumptions as those used in the primary financial statements. Land values were estimated by reference to current market values and real and property tax appraisals.

The gain from decline in the purchasing power of net amounts owed is determined by calculating the net monetary assets or liabilities at the beginning and end of the year, stating these amounts in average 1980 dollars and deriving the change therefrom. Monetary assets and liabilities are cash, and claims on, or liabilities for, cash receipts or payments, the amounts of which are fixed in terms of the number of dollars to be received or paid. The net monetary gain shown in the preceding supplemental statements results from Borden's net monetary liability position which will be repaid with dollars which have lost purchasing power relative to the point when the liabilities were incurred.

As discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 25 of this report the Company is party to several long-term supply contracts for natural gas. Natural gas in inventory and cost of goods sold for current cost purposes has been valued at the supply contract price existing at year-end and date of sale, respectively. If a supply contract is to terminate within twelve months after year-end or date of sale and the new supply contract price was used for current cost purposes, inventory and cost of goods sold would increase approximately $11.4 million and $68.0 million, respectively for 1980 and $0.4 million and $2.2 million, respectively for 1979. The utilization of future supply contract prices would have the effect of lowering current cost income, increasing the excess of increases in specific prices over increases in the general price level, and lowering net income per common share.

The data presented in the five-year summary has been adjusted for the effects of general inflation and for specific prices in the same manner as for 1980 information. All amounts in the summary are stated in average-for-the-year constant dollars as measured by the Consumer Price Index for All Urban Consumers for the current fiscal year. Certain data has only been presented for 1980 and 1979 since it was not practicable to collect the information for the earlier years. As is apparent in comparing data from the primary statements to the same data on the current cost and constant dollar bases, real growth results only when the nominal rate of growth exceeds the rate of inflation.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

In thousands of average 1980 dollars

	1980	1979	1978	1977	1976
Net Sales	$4,595,795	$4,895,737	$4,802,823	$4,733,771	$4,894,131
Constant Dollar Information:					
Income from continuing operations	$ 24,093	$ 31,339			
Income per common share from continuing operations	$ .78	$ 1.01			
Net assets	$1,877,013	$1,976,835			
Current Cost Information:					
Income from continuing operations	$ 35,135	$ 57,680			
Income per common share	$ 1.14	$ 1.85			
Net assets	$2,133,156	$2,354,549			
Excess of increase in specific prices over the increase in the general price level	$ 73,718	$ 64,535			
Other Information:					
Purchasing power gain (loss) on net monetary items	$ 72,908	$ 83,368			
Cash dividends per common share	$ 1.88	$ 2.04	$ 2.12	$ 2.07	$ 1.95
Market price per common share	$ 24⅝	$ 25⅝	$ 31	$ 40⅝	$ 48⅛
Average consumer price index	246.8	217.4	195.4	181.5	170.5

Borden, Inc.
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Telephone No. (212) 573-4000

180 East Broad Street
Columbus, Ohio 43215
Telephone No. (614) 225-4000

The Annual Meeting will be held on Wednesday, April 15, 1981, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey.

Price Waterhouse & Co.
153 East 53rd Street
New York, New York 10022

Transfer Agent & Registrar
Dividend Disbursing Agent
Chemical Bank
55 Water Street
New York, New York 10041

2 7/8% and 4 3/8% Sinking Fund Debentures
The Chase Manhattan Bank, N.A.
New York, New York 10081

5 3/4% Sinking Fund Debentures
Morgan Guaranty Trust Company of New York
New York, New York 10015

8 1/2% Sinking Fund Debentures
Bank of America, N.T. & S.A.
San Francisco, California 94137

9 3/8% Sinking Fund Debentures
Bank of New York
New York, New York 10015

Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
2 7/8% Sinking Fund Debentures, due 1981
4 3/8% Sinking Fund Debentures, due 1991
5 3/4% Sinking Fund Debentures, due 1997
8 1/2% Sinking Fund Debentures, due 2004
9 3/8% Sinking Fund Debentures, due 2009

April 24, 1899–New Jersey

Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Written requests should be directed to:

Borden, Inc.
Attn. Mr. R. G. Tritsch
Secretary
277 Park Avenue
New York, New York 10172

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